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U.S. Department of Labor
Bureau of International Labor Affairs

Public Hearings on International Child Labor

Conducted by the International Child Labor Study

**Bureau of International Labor Affairs
U.S. Department of Labor
Washington, DC**

**Robert B. Reich, Secretary of Labor
Joaquin F. Otero, Deputy Under Secretary**

Friday, June 28, 1996

Official Record

COMPLETED

98-026892

**PUBLIC HEARINGS
ON
INTERNATIONAL CHILD LABOR**

Conducted By

**The United States Department of Labor
Bureau of International Labor Affairs
International Child Labor Study**

On

Friday, June 28, 1996

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INTRODUCTION

Street, Northwest, Suite 6002, Washington, DC, or by telephone at 202-616-6975 or fax at 202-616-6993.

The deadline for filing a Registration Form is June 28, 1996.

Note: The registration of a claim in this program will not constitute the filing of a formal claim against Iraq. In the event legislation is passed authorizing the Commission to adjudicate these claims against Iraq, instructions for the formal filing of claims will be forwarded to all those registered in this Iraq Claims Registration Program.

Approval has been obtained from the Office of Management and Budget for the collection of this information. Approval No. 1105-0067.

David E. Bradley,

Chief Counsel.

[FR Doc. 96-13088 Filed 5-22-96; 8:45 am]

BILLING CODE 4510-01-M

DEPARTMENT OF LABOR

Office of the Secretary

Bureau of International Labor Affairs; Notice of Public Hearings

This document is a notice of public hearings to be held by the Department of Labor for the purpose of gathering information regarding the use of abusive or exploitative child labor in the production of goods imported into the United States. The hearing will be held on Friday, June 28, 1996, at the Department of Labor, room N-3437, beginning at 9 a.m. The hearing will be open to the public. The Department of Labor is now accepting requests from all interested parties to provide oral or written testimony at the hearing. Each presentation will be limited to ten minutes. The Department is not able to provide financial assistance to those wishing to travel to attend the hearing. Those unable to attend the hearing are invited to submit written testimony. Parties interested in testifying at the international child labor hearing should call (202) 219-7867 to be put on the roster.

The Department of Labor is currently undertaking a third Congressionally-mandated review of international child labor practices (pursuant to the 1996 Omnibus Appropriations Act, P.L. 104-134). Information provided at the hearing will be considered by the Department of Labor in preparing its report to Congress. Testimony should be confined to the specific topic of the study.

Specifically, the international child labor study of the Bureau of International Labor Affairs is seeking

written and oral testimony on the topics noted below:

1. Efforts of U.S. companies and nongovernmental agencies aimed at eliminating the use of abusive and exploitative child labor in the production of goods imported into the United States. Such efforts could include, but are not limited to, labeling, consumer information campaigns, codes of conduct, guidelines for subcontractors, and the establishment of educational facilities.

2. Codes of conduct in the garment industry. We are required to identify the top 20 U.S. garment importers, their subsidiaries, contractors, and their subcontractors' codes of conduct regarding the use of abusive and exploitative child labor in the production of goods imported to the United States. We are seeking information about the nature, adequacy and effectiveness of any such codes of conduct.

3. The necessary components of an effective code of conduct and its enforcement.

4. International and U.S. laws that might be used to encourage the elimination of child labor exploitation, including in the production of items imported into the United States, and any appropriate changes to such laws.

5. Items that are likely to be produced with abusive and exploitative child labor and imported into the United States.

DATES: The hearing is scheduled for Friday, June 28, 1996. The deadline for being placed on the roster for oral testimony is 5 p.m., June 21, 1996. Presenters will be required to submit five (5) written copies of their oral testimony to the Child Labor Study office by 5 p.m., June 26. The record will be kept open for additional written testimony until 5 p.m., July 5, 1996.

ADDRESSES: Written testimony should be addressed to the International Child Labor Study, Bureau of International Labor Affairs, Room S-1308, U.S. Department of Labor, Washington, DC 20210, fax: (202) 219-4923.

FOR FURTHER INFORMATION CONTACT: Teresa Estrada-Berg, International Child Labor Study, Bureau of International Labor Affairs, Room S-1308, U.S. Department of Labor, Washington, DC 20210, telephone: (202) 219-7867; fax (202) 219-5980. Persons with disabilities who need special accommodations should contact Ms. Estrada-Berg by June 17, 1996.

All written or oral comments submitted pursuant to the public hearing will be made part of the record

of review referred to above and will be available for public inspection.

Signed at Washington, DC this 19th day of May, 1996.

Andrew J. Samet,

Associate Deputy Under Secretary.

[FR Doc. 96-13013 Filed 5-22-96; 8:45 am]

BILLING CODE 4510-25-M

Employment and Training Administration

Disaster Unemployment Assistance (DUA), Program Operating Forms

ACTION: Notice.

SUMMARY: The Department of Labor, as part of its continuing effort to reduce paperwork and respondent burden conducts a preclearance consultation program to provide the general public and Federal agencies with an opportunity to comment on proposed and/or continuing collections of information in accordance with the Paperwork Reduction Act of 1995 (PRA95) [44 U.S.C. 3506(c)(2)(A)]. This program helps to ensure that requested data can be provided in the desired format, reporting burden (time and financial resources) is minimized, collection instruments are clearly understood, and the impact of collection requirements on respondents can be properly assessed. Currently, the Employment and Training Administration is soliciting comments concerning the proposed one year extension of previous approval by OMB of the attached DUA Program Operating Forms (ETA 81, ETA 81A, ETA 82, ETA 83 and ETA 84). A copy of the proposed information collection request (ICR) can be obtained by contacting the office listed below in the addressee section of this notice.

DATES: Written comments must be submitted to the office listed in the addressee section below on or before July 22, 1996.

The Department of Labor is particularly interested in comments which:

- Evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility;
- Evaluate the accuracy of the agency's estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used;
- Enhance the quality, utility, and clarity of the information to be collected, and



**International Child Labor Public Hearing
U.S. Department of Labor
Washington, D.C.**

June 28, 1996

WITNESS LIST

Opening Remarks

Joaquin F. Otero
Deputy Under Secretary for International Labor Affairs

Secretary of Labor Robert B. Reich

Presenters

Senator Tom Harkin (IA)

Representative George Miller (CA)
Representative Bernard Sanders (VT)
Representative Joseph Kennedy (MA)
Representative Chris Smith (NJ)
Representative Barney Frank (MA)

Robin W. Lanier
Vice President, International Trade & Environment
International Mass Retail Association

William Maroni
Vice President, Government Affairs
Levi Strauss

Anne Knipper
Assistant to the Director, International Affairs Department,
AFL-CIO

Abraham Katz
President, U.S. Council for International Business

David Schilling
Director, Global Corporate Accountability Programs
Interfaith Center on Corporate Responsibility

Pharis Harvey
Executive Director, International Labor Rights Fund
Co-Chair, Child Labor Coalition

Tom Cove
Vice President for Government Relations
Sporting Goods Manufacturers Association

Linda Golodner
President, National Consumers League
Co-Chair, Child Labor Coalition

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Rev. Dan McCurry
Foul Ball Campaign, International Labor Rights Fund

Shannon Goold, Adam Carter, Elizabeth Carter
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Chairperson, Child Labour Action Network (India)

Dorianne Beyer
National Child Labor Committee

Miriam Lyons
Association Francois Xavier Bagnoud

Lauren Goldblatt
Office of Representative Lane Evans

**TRANSCRIPT OF ORAL
TESTIMONY**

UNITED STATES DEPARTMENT OF LABOR
BUREAU OF INTERNATIONAL LABOR AFFAIRS

PUBLIC HEARING

Friday, June 28, 1996

A Hearing on International Child Labor for the Bureau of International Labor Affairs was convened, pursuant to notice, at 10:00 a.m. in Room N-3437, Frances Perkins Building, U.S. Department of Labor, Washington, D.C.

PROCEEDINGS

MR. OTERO: My name is Joaquin Otero, Deputy Under Secretary for International Labor Affairs, and I want to welcome the public to the third public hearing the Bureau of International Labor Affairs has held on the topic of international child labor. I would like at this time to introduce the Secretary of Labor, The Honorable Robert Reich, to give a statement and to formally open our hearings. Mr. Secretary.

SECRETARY REICH: Thank you very much. Good morning, ladies and gentlemen. Welcome to the Department of Labor's third annual hearing on international child labor issues. The first two hearings were part of our two previous studies released in 1994 and 1995. They were called "By The Sweat and Toil of Children." They are available to you should you wish, if you haven't seen Volumes 1 and 2.

In those studies we began to document child labor exploitation in various manufacturing and mining, plantation and fisheries industries that export to the United States. Of course, let me remind you child exploitation is not limited to industries that export to the United States. Indeed, children in those industries are rather a small fraction of the hundreds of millions of children that the International Labor Organization estimates work full time under conditions that violate international law.

I want to emphasize that these conditions violate international law. This is not an issue that one can simply attribute to the poverty of a particular nation. Unlike wages or certain working conditions, the employment of very young children is a fundamental breach of international law. It is something that almost every nation has laws against. It is bad for even a developing nation because those young children need to be in school if that nation is to develop.

Earlier this month I attended the International Labor Organization's annual ministerial meeting. At my request the Director General of the International Labor Organization convened a particular meeting on the problem of international child labor. We spent a full day two weeks ago discussing the child labor crisis, considering additional steps that can be taken by the International Labor Organization.

One thing that was very clear at that meeting -- there were 160 labor ministers there from nations all over the world, most of them developing nations -- there was broad consensus that this is a problem, that the problem is not going away, that some more dramatic steps must be taken.

As many here today already know, we have been working hard for the last three years to end sweatshop conditions here in the United States: in the garment industry especially. I am pleased that many responsible apparel manufacturers and retailers have joined us in the effort. A lot of people talk about corporate responsibility. Well, what issue is more central to corporate responsibility than to make sure that a corporation is not selling or processing goods made by exploited and abused workers?

We are going to continue to find ways to make progress on this problem in a Fashion Forum on July 16. As we have made progress at home, we have also been actively engaged in the child labor problem internationally. It is my absolute conviction that our ability to win this struggle internationally requires having a clean record at home. We cannot in good conscience accuse other nations of ignoring their obligations to their workers if we turn a blind eye in this country to illegal and dangerous sweatshops in our midst, and we are not going to do so.

Of course, our continued work on the issue of international child labor depends upon support from Congress, and that is why I am so pleased that today we are going to hear from leaders who have led the way on this issue in Congress, giving us the resources we need to be active. We are going to hear from Senator Tom Harkin and Congressman George Miller; Congressman Joe Kennedy is also here. There may be other congressmen who are seeking to join us.

We have made progress since we released our second child labor report last October. First, we are now working on a report that is due to the Congress this coming October, which is examining the way multinational corporations headquartered in the United States are carrying out their responsibilities with regard to international sweatshops and child labor, what they are doing to try to stop the exploitation of children. Innovative codes of conduct, monitoring programs that they may have instituted, labeling proposals, are some of the responses we are examining. We are specifically looking at the approach taken by the largest U.S. importers of apparel, and we are pleased to have a number of business representatives here today to discuss their views, what they have already accomplished and what they intend to do.

Secondly, since last October we have provided funding to support the International Labor Organization's International Program for the Elimination of Child Labor. And again I want to - although he's up on the Hill voting, he will be back -- I want to thank specifically the leadership of Senator Harkin and Congressman Porter who have been able to provide the funding we need to carry on this work.

One of the most important innovative efforts to deal with the problem of child labor is in the garment sector in Bangladesh where we are funding a project that removes children from factories and puts them in school. And I want to emphasize something that I said before at our press conference outside, and that was that it is not enough simply to shut down these child labor sweatshops, to stop abusive conditions around the world of slave labor and bondage for children, we have got to get the children into school, because otherwise the problems simply go underground and these children may be even more viciously exploited. We are providing funds through the International Labor Organization to support this effort, and over 100 schools in Bangladesh have been open due to our efforts.

Thirdly, I asked the Director General of the International Labor Organization not only to call a conference on child labor, we did that, but also -- and he has agreed -- to conduct a study of international labeling and issue a report in one year on how the nations of the world might support a labelling program, such as the Rugmark initiative for carpets, in other sectors where child labor is a problem.

I don't know how many of you know about the Rugmark initiative, but the carpet industry for a very long time has been plagued by child labor, and one of the innovations that has been used by the carpet industry, beginning to be used, is just a small mark that indicates that no children were involved in the making of this carpet. Those marks are monitored by a third party to make sure that they are accurate, and that kind of labeling, a very simple mark like that, has begun to make a difference.

There is no reason why we cannot have that simple kind of labeling on other programs, on garments, on soccer balls, as we talked about earlier today. There is much more to do in this issue. The problem is not going away. If anything, it is growing. We must continue to set realizable objectives and press as hard as we can to reach them.

Just before coming to this hearing I was joined by the members of Congress here in support of an effort to rid the soccer ball industry in Pakistan of child labor. Now, I am pleased to note that we are also joined by representatives from Nike and Reebok to support that effort. The more examples where we can move children from illegal work to school, the more examples where corporations, multinational corporations, are taking active responsibility, the more examples in which consumers can become aware and informed and can make informed choices about this issue, the better. That is, in my view, the most direct way of harnessing market forces in favor of eradicating the scourge of child labor around the world. We can win this fight. It may not happen immediately, but children do not have time to wait.

With that, I am honored and grateful that members of Congress are here today with us. I think, Senator Harkin, who was going to be our lead off witness, is on the Hill. If I may ask members of Congress, Representative George Miller, Representative Bernard Sanders, Representative Joseph Kennedy, Representative Chris Smith, I believe are here with us. Barney Frank is here with us. Representative Barney Frank, if you could please come up, gentlemen, and I will ask you in turn to provide your views.

I want to tell you, first of all, what a pleasure it is to have you all at my hearing instead of the other way around. For too long the tradition has been that I sit before you.

(Laughter.)

The separation of powers has finally come to where it should be, and let us just probably begin from right to left. Representative George Miller, please.

REPRESENTATIVE MILLER: Thank you, Mr. Secretary, and it is in fact a pleasure to testify before you. At the outset, I commend you for your ongoing efforts and your commitment to making sure that this is a continued effort to shine a light on a practice that cannot survive light being shined on it because the American people will not put up with it -- they will not accept it. All of the information and data suggests that you are quite correct -- that people want to know the terms and conditions, if you will, under which the garments that they wear, and the toys that they buy, are produced.

Earlier this year, in April, I chaired a hearing of the Democratic Policy Committee on

child labor and eco-labeling, and the ability of consumers to change the way companies make their products. It was at that hearing that the National Labor Committee ignited perhaps the greatest debate on sweatshops and child labor in more than a decade by making the now well-known allegations that Wal-Mart contractors used sweatshops and child labor to make the Kathie Lee Gifford clothing line.

The conclusion that I drew from that hearing was that, in fact, the use of child labor is a very integral part of this process in the apparel industry, and the sporting goods industry, as we demonstrated today at the press conference earlier on soccer, and that this is a system that is designed for plausible denial so that the designers can blame retailers, retailers can blame manufacturers, the manufacturers can blame contractors, and contractors blame subcontractors.

And, what generally happens is the minute that someone shines the light on the practice or points out that children are being abused in the making of soccer balls or other goods, they immediately change from one subcontractor to another and try to lead you to believe that the problem has been taken care of.

Well, what you have been doing, and what was done this morning with the *Foul Ball* campaign, is to suggest that we need a standard, that we need a way of imparting information to consumers so consumers can make a continued decision not to purchase these goods and then, and only then, will the processes of production change. I think that we have, because of your initiatives, because of what the National Labor Committee has done, because of the bringing to the American public's attention the role of celebrities, of athletes, of designers, of well-known American brand names, well-known American corporations their participation in this process knowingly and unknowingly, that we now have the greatest opportunity that we have had in a very long time.

Those of us sitting before you and you, Mr. Secretary, and so many people in this room have spent a good part of their public careers fighting this effort, trying to deal with child labor.

But today we have the opportunity to make a difference, and we must not shy away from that. Today we are asking businesses to make a choice -- businesses that spend hundreds of millions of dollars a year trying to impart to the American public a corporate image, a sense of responsibility, a sense of quality, a sense of product -- to make a choice about that product, about that process, and not to use exploited labor, be it child or adult. But clearly the use of very young children, as you outlined this morning, Mr. Secretary, is unacceptable to all Americans, and certainly to all Americans whose children then play games with those products.

We now see, as you have pointed out, that some of these retailers and some manufacturers are adopting codes. Unfortunately, as you also pointed out, too many of these manufacturers simply use that as a shield. They put it on the wall. They use it to hand out to the press to say that we have a code of conduct. It is, in fact, a way of simply defending some of their actions, and again denying the fact that they know that it takes place.

And yet we now see some manufacturers coming forward and starting to make that code of conduct real, to seek the enforcement, to take control and, most importantly, to take

responsibility. That is what Nike and Reebok have done in the soccer area where they are now taking in-house the complete control and command of the production of those soccer balls.

And with those kind of changes, it no longer is suggested that it can't be done. The only question is why aren't the others doing it, and when are they going to start. And with this kind of effort, we have that opportunity.

But I think we have got to go beyond the codes of conduct. I think we have got to move to a point that empowers the consumers. The consumer today is basically defenseless in the marketplace. It's very difficult to determine the process by which products arrive in the retail outlets where consumers have to make their choice. I believe that we need an anti-sweatshop label. I believe that we need a warranty on that product that it is child free -- that it is made without the exploitation of children, and without the exploitation of labor, if I had my way. Until we do that I think that the consumer is left defenseless.

I think that clearly that label should address the basic human rights of children, and warrant that that product was made without child labor. Clearly, that label and codes of conduct have got to be backed up by independent monitoring. We see such large and well-known organizations as the Gap now working out agreements for independent monitoring in Latin America. I think Joe Kennedy is going to mention his conversations that he has had with other organizations about independent monitoring. Clearly, this is a standard that must be embodied in the label. It must be embodied in the label so that we are not perpetrating a fraud on the American people.

I think -- and this is part of the campaign that you have conducted, Mr. Secretary -- I think that we can persuade, and show American corporations, retailers, you know, designers -- those people who rely on ready identification of name or product -- that we can show them that this is also a very good corporate policy in terms of the bottom line. It has been demonstrated time and again that the American consumer not only wants goods of high quality, they also want goods that are made under decent working conditions, and that they are fully prepared to pay what really is a minuscule premium for that to take place. And I would hope that this campaign would have a life that continues until such time as these products are readily available to Americans to make the choice.

We had an experience with this in terms of dolphin-free tuna. We gave Americans the choice and the opportunity, and the fact is they have overwhelmingly embraced the purchase and the support of tuna that is dolphin-free.

Labels do work. Many suggest that somehow the product would have to be covered with the label. No, just as the manufacturer loves a label that can say "reduced fat," or "fat free," or "sugar free," or "no calories," those are shorthand uses by marketers to make people buy a product. We can say that it is safe for the environment, or it's safe for children, or it's safe for labor in a very shorthand fashion. You pointed out the Rugmark. I think that presents us an example. I think the dolphin-free presents an example. Clearly, it can be done.

I think with your leadership, with the leadership of our retailers and our manufacturers,

it can be done rather quickly, and we don't have to suffer another generation of exploited children. And I thank you very, very much for this opportunity, and for the involvement of this Department and its proud history and tradition.

SECRETARY REICH: Thank you very much, Congressman.

Congressman Barney Frank, or Congressman Joe Kennedy. Actually, Joe, you have to leave very shortly.

REPRESENTATIVE KENNEDY: I do.

SECRETARY REICH: Congressman Frank is ceding his time to you temporarily.

REPRESENTATIVE FRANK: I am switching with him.

REPRESENTATIVE KENNEDY: Mr. Secretary, first of all, let me just say it is a pleasure to be before you and testifying. However, I will point out that when you were introduced earlier as first Congressman Reich and then Senator Reich, Chris Smith leaned over to me and said, "He just got demoted." So I am not sure that you would consider this exactly a positive development.

But anyway, Mr. Secretary, I think that all of us in the Congress who are concerned about child labor and other terrible exploitation of people across the world and in this country, are deeply appreciative of the efforts that this Department of Labor has made. Unlike so many who have led this particular agency over the course of the last, certainly 10 years since I have been in Washington, the leadership that you have shown and that many of the people that work in this agency have demonstrated over the course of the last three years, has really been a tremendous inspiration, I think, to working men and women all across the world.

The fact that you have raised so many of these ugly issues that are taking place in our society, and have done so with the determination to try and fix and educate and provide increased opportunities to not only the American worker, but trying to make certain that we have international guidelines, and the strength and support that you have shown to the international labor movement, trying to raise the standard throughout the world, is deeply, deeply appreciated. And I speak in appreciation of Jack's efforts as well, particularly with regard to child labor issues, and with whom I happen to have had the opportunity to work with in years past. You have an excellent staff and we very much appreciate the attention that you in this Department have shown these concerns.

Chris Smith and I introduced some legislation a few years ago to deal with the slave labor issues and to make certain that the Department of Justice could more easily prosecute the perpetrators of slave labor crimes through the use of the RICO statute. In a little known provision in the recent bill that passed the Congress the RICO statute was in fact included.

The provisions that we had proposed a couple of years ago -- with regard to the exploitation of young people that are used as sex slaves in so many other countries, and to the

fact that in this country to this day we still have companies that are going around trying to promote sex slavery by taking tours in foreign countries where they actually advertise little boys and girls that you can go and have sex with on a daily basis, provided through video shops and other kinds of opportunities -- were recently covered under U.S. laws with regard to the exploitation of children.

I think that these are some positive developments that have taken place in what is overall a very, very ugly issue. Also positive is the attention that you are providing today to the *Foul Ball* campaign and to the facts that we see on a massive basis, particularly in the country of Pakistan. I met with the Ambassador from Pakistan recently and I have met with their trade negotiators. The trouble is that when you meet with these countries they say, well, the United States doesn't understand our culture; that this is really a cultural difference, and that these kids are really part of a family structure.

Nobody, I think -- certainly not in your Department or in the Congress -- wants to stop any family from having children voluntarily participating in a family farm effort or a small family business or anything else. It is the difference between when a child knowingly and willingly participates versus when he or she is forced into participation that we are talking about here.

What we have is a situation where these children, just like Iqbal Masih, in many cases are chained, are forced into these kinds of unsatisfactory labor conditions. And what we have is a wink and a nod given by everybody from the United States Olympic Committee to all the olympians. You see the same thing occurring throughout the major professional soccer leagues. The same thing is happening in terms of the World Cup Soccer. These companies, these organizations, know that those soccer balls are being made by kids in Pakistan and other countries, and yet they have swept it under the rug. It has only been until people like you and like this Department and the movement that is now blossoming in this country that has exposed these issues, that it has come to light and that we have seen the responsible actions taken by Reebok and Nike and others.

I just would urge you, Mr. Secretary, to take a very hard look at a proposal that I think falls right in line with the proposals that Mr. Miller has made with regard to the labeling of all goods that come into the United States with regard to child labor and other kinds of illegal labor practice: that we ask FIFA to simply make an increased nominal fee of something between five and twenty-five cents. We have had conversations with UNICEF. UNICEF says that they will provide inspectors to go across Pakistan or other countries that you could help identify, and make certain that if a soccer ball is going to get that stamp of approval by FIFA, that they are guaranteed that that ball is not made with child labor.

I think if we could get FIFA to take that single step that, first of all, the kids across America, families across this country and throughout the world would happily pay five or fifteen or twenty-five cents to make certain that those balls and their children were not exploiting children in poor countries throughout the world. I hope that you would consider that in your deliberations.

Again, I thank you very much for this hearing, and I thank Barney Frank for yielding me his time. If you don't mind, Mr. Secretary, I have got to split.

SECRETARY REICH: Congressman, thank you so much.

REPRESENTATIVE KENNEDY: Thank you very much.

SECRETARY REICH: Congressman Frank.

REPRESENTATIVE FRANK: Thank you. My colleagues speaks with a great deal of conviction and he also -- you know, he is true to his principles. When he tells you that he does not oppose people going into the family business, he obviously speaks with a great deal of legitimacy on that subject.

(Laughter.)

I think this is an extraordinarily important issue for a couple of reasons, and I am grateful to you for the moral leadership you have shown, Mr. Secretary. To many of us this seems to be such an obvious issue that I think we have people wondering how come it hasn't already happened. The notion that particularly wealthy people in this country ought to be benefiting from the forced labor of 9 and 10 and 11 year olds in terrible conditions is simply not an arguable proposition. So I think we have to see what bases for objections are.

And it was interesting in terms of timing, that in yesterday's New York Times Business Section there was an article focusing on one of the celebrities. The celebrity isn't important, what struck me was the tone of the article written by the New York Times reporter in yesterday's Business Section, in which she kind of denigrated these efforts. And you heard arguments that said, well, this is really good for the children in many cases. They make the money. We heard the argument about cultural differences.

Well, first, as to cultural differences, I would invite people to go back to the debates in the United States early in this century when we were unable for many years to ban child labor. In fact, we have a United States Supreme Court decision, as you know, which rejected an effort by the Congress of the United States, I think during the Wilson Administration, to ban child labor.

Now, we have made progress. My guess is there probably aren't more than two votes on the Supreme Court today for allowing child labor, so I think we have come forward. But it took a long time before America did. And the arguments against banning child labor were very similar to the arguments we hear today. Well, you know, these are poor people, and they are better off this way, and it's really in their interest.

So, again, people who read this and say, gee, maybe it's bad for children, ought to understand very much those same arguments applied. I believe if somebody wanted to, you could go back to the debates in the United States around that time, and probably even Supreme Court opinion -- I haven't looked at it lately -- which invalidated the first child labor statute, and

find arguments that would sound like they came from that New York Times article of yesterday.

There are no cultural differences that are relevant when you are talking about 9 and 10 and 11-year olds being forced to live miserable degraded lives, which are not only miserable and degraded now, but which greatly lessen the chance that they will be able to improve in the future because they are being denied by being forced into this kind of labor the ability to educate themselves and learn better.

Now, obviously for many of us that's an overwhelming moral case, and we also believe, and your own credentials as an economist and public policy analyst, Mr. Secretary, I think help us make the case that the economic arguments against this kind of policy are nil.

But I want to add another dimension because while for many of us this is morally self-evident, clearly there hasn't been enough because we haven't won yet, and I guess I am reminded a little bit of the remark that Adlai Stevenson made and shouldn't have when told that all the thinking people were with him, and said, "Well, that's not enough. I need a majority." Explaining to the majority of the voters that you do not think they think is not recommended when you are running for office. So I repeat the comment without endorsing it.

But we cannot simply win this obviously with people who are strongly morally motivated. Most people have other kinds of concerns. We have a particular problem because many of those who are most influential in this country, people who are influential in the upper reaches of the business community, some analysts, journalists, et cetera, yes, they think child labor is bad, but they have a lot of other reasons why we should not pass legislation banning it.

Let me say that I think in addition to the other proposals, the adoption by the United States of legislation which bans from the United States the products made with child labor is the minimum. because, yes, it's important to give consumers the incentive to do things, but as long as some people have the option of undercutting others this scheme doesn't work as well. I think we have an absolute right to pass laws.

We have people saying, well, you know, those are just excuses for protectionism, et cetera. Here is a point I want to make. We have people arguing in the United States and they have got allies overseas who say "If the United States starts setting rules in the environmental area, in the area of child labor, prison labor, slave labor, other basic human rights, worker rights, because these are interrelated, if the United States starts setting rules, that's going to be the excuse for protectionism, that's the excuse for economic isolationism."

I think we ought to make one thing very clear. It is now obvious to me, looking at American society, American politics, economic trends, that it is the absence of those rules that will guarantee protectionism and economic isolationism. If we are not able to go to American workers, to the average American and say, "look, this is a tough world, and it's an interconnected world, and, yes, we are in an internationally competitive situation, but we will try our damndest to make sure that you do not have to compete with people who are deliberately poisoning the atmosphere, who are exploiting 9-year-olds because they can work more cheaply at some of these jobs, who are using slave labor," -- in other words, if we do not have a set of rules that we

establish and maintain through our laws, those who want to see more international engagement are going to be disappointed. And the people who think that they are promoting internationalism by objecting to laws banning child labor have got it exactly wrong, because if you are not able to go to the American people and say, yes, we expect you to compete, and we will help you compete, we will provide you the education and the training and the other situations that help you compete, but you are not going to have to compete with prisoners, and 9-year-olds, and slaves, and you are not going to have to compete with people who have no qualms about killing every tree within miles, or polluting every waterfront.

So I want to make the economic self-interest argument to precisely that element in this society that tends to resist these things. They should understand when John Kennedy launched the Alliance for Progress he made a great comment talking about Franklin Roosevelt's Good Neighbor Policy, and he said, "Franklin Roosevelt could be a good neighbor abroad because he was a good neighbor at home."

People who think they can promote internationalism and ignore this aspect of the problem, again, have it absolutely backwards. Once again, there was a recent story in the New York Times financial pages, some of the business people frustrated because after the passage of NAFTA, after the passage of GATT, there was this expectation that there would be an expansion, there would be free trade with Europe, Chile would accede to NAFTA.

In fact, as we all know, there has been zero progress in internationalization economically, and frankly we have cut back where we shouldn't have cut back. We don't make the contributions we ought to make to the International Development Association. Our involvement with the United Nations has fallen below what it ought to be.

I regret that. But people need to understand we now have a climate in America in which a large number of Americans feel threatened by international economic activity. And until and unless we diminish that sense of threat we will not do the things that critics of this bill want to see us do, or this approach. And banning child labor is one of the things we can do to help diminish that.

So I just want to stress how important this is. It seems to me if people want us to go forward with the right kind of economic integration as I do -- as I think most of us do -- if they want to see us accept our obligation, as I see it, morally -- to Africa, Latin America, to help with debt relief, to help with foreign assistance -- this kind of policy is an essential part.

For many of us that's not a necessary argument because we feel morally compelled to do it. But in Stevensonian terms maybe the morally committed aren't enough for a majority. I think we can do a better job of explaining to many of those who are resistant to this, that it is in their only self-interest because until and unless we have persuaded the American people that the terms of the competition are morally fair -- not equal, because they won't be equal given the differential states of development, but morally fair -- then it's not going to go forward, and that's one more reason why we ought to move forward with this.

Thank you, Mr. Secretary.

SECRETARY REICH: Thank you, Congressman. Congressman Smith.

REPRESENTATIVE SMITH: Thank you very much, Mr. Secretary, and thank you for convening this hearing. I want to thank you at the outset for the good work that Maria Echaveste has done. She appeared before my subcommittee at our hearing, joined by Sonia Rosen, and did a superb job of outlining the scope of the problem and some of the efforts that the administration is attempting to try to mitigate the problem. I want to thank you for her very fine testimony and leadership, and for yours as well.

Just let me mention a couple of brief points, because most of the points have already been made. When I first became involved in the campaign against child labor several years ago, the focus was on children in South Asia. We know today that about half of all the child labor problems remain in Asia. We were concerned about children that were sold to masters who chained them to looms, or pressed them into road gangs such as was done by the military government of Burma, or even forced them into child prostitution.

And now the focus has shifted to Central America with the allegations that have been made. We heard from Wendy Diaz, for example, at our hearing, and I think it's very important that scrutiny and light is now being brought to this heinous practice of exploiting children. And I think today's effort to try to back, both in an executive/legislative and in a bipartisan way what *Foul Ball* is trying to do, and the good work that Reebok and others are doing, helps to bring real solutions to a vexing problem.

But I do think we have a real obligation as lawmakers and as executive branch officials to inspect our laws and policies to ensure that everything that can be done is being done to eradicate this cruel practice.

And we have a law on the books that should stop the importation of prison labor goods. Regrettably, it has not been enforced, by Republican or Democratic Administrations. I understand that because it is a closed society it is hard to know what's going on in the People's Republic of China, for example. But many products that are made in those thousand-plus gulags or laogai of the People's Republic of China end up right in our shops, in our major shopping centers throughout the country.

I actually got into one of those camps, Beijing prison camp number one, along with Frank Wolfe. We saw jelly shoes, which were then the rage at the time. I have small children, and a young daughter who would wear them. And then all of a sudden we found out that they are making them right there. And they closed down that camp after we left. But that is just one example of many, and I would implore you to relook at that MOU and the fact that China has to be more forthcoming, because whether it be prison labor or child exploitation through labor, we have got to make sure that these products do not end up on our shores.

I do think that we need to look at some new laws. I agree with Mr. Frank that we need to minimally ban the importation of child-made, child exploited-made goods, and I have some legislation, I know Mr. Frank has some as well, that would attempt to do that.

I think we need to encourage the good work you are already doing in identifying countries. Most of the countries have child labor laws. They are not enforced. And I think a major effort is in order. That means that we bring up human rights when we meet with ambassadors. I met with the Ambassador of Honduras recently, I am always meeting with ambassadors. I chair the Helsinki Commission and the International Operations Humans Rights Subcommittee and am almost "Johnnie One Note" on human rights, and child labor is right there, four square. In every contact that members on both sides of the aisle have, every interface with foreign countries, we need to be raising these issues in a strong way.

I do believe that we need to limit our foreign aid based on whether or not there is an honest effort being made by the countries involved to eradicate this problem, with the exception of humanitarian assistance, such as oral rehydration, or immunizations, or food assistance, which obviously benefit poverty-stricken people. But ESF, military assistance, that kind of assistance needs, I think, to be conditioned on whether or not those countries are making progress. My legislation would accomplish that.

I think Mr. Frank in his bill has a very good request that we increase our contribution to the ILO. I think it's \$10 million that you have in your bill, which would show that very fine organization that we mean business. We are willing to put our money where our mouth is. And if that cuts down the number of years that it takes to ban this practice from the face of the earth, well, money up front does make a difference.

And finally, I just want to say that we need to begin looking at the international lending organizations, the EX-IM Bank, the Overseas Private Investment Corporation, and especially the World Bank, because we have some very strong evidence coming to my office suggesting that the eradication of child labor is not only not a priority, it's not even a policy, it's not even an interest on the part of the World Bank. And I hope that is not the case, but we need to fully explore that, so that in making loans to these countries that we are not subsidizing industries that exploit children and prisoners through these practices.

As I said outside, when it comes to the *Foul Ball* campaign and soccer balls, I worked in the sporting goods industry. I have been in Congress for 16 years, and prior to that my family started what are really the modus operandi of the business, small mom and pop shops that sold to athletic teams and soccer associations.

And I can tell you that that industry and those people who are selling those things don't want to sell child-made goods. You know, we didn't know about that problem, and I am not sure that the products we sold were made in Pakistan. At that time, most of them were Adidas coming from Korea and elsewhere. But, you know, I think the industry would love to see this problem eradicated overnight, and would like to be part of the solution rather than part of the problem.

Again, I think this is a chance. Everyone talks about the bickering that goes on between Democrats and Republicans. Here we can close ranks and I think really do something on behalf of kids.

Thank you, Mr. Secretary.

SECRETARY REICH: Congressman, thank you so much. I do want to underscore the bipartisan nature of the concern in Congress about this issue, also the Administration's obvious concern and our intent to pursue this matter vigorously in every way we can. Again, let me thank you for joining us today.

I want to just summarize, before I have to go, just a couple of points that have been made.

Number one, this is not a small problem. The International Labor Organization estimates that upwards of 200 million young children are being employed every day, many of them bonded in slave labor. Many of them making goods that will come into the United States. Many of them working eight, nine, ten hours a day, six or seven days a week. It is unconscionable.

Number two, we have problems in this country as well. There is child labor in America. It is nowhere near as extensive or as serious as it is in other countries, but we do have sweatshops in America, and lest we be sanctimonious, lest we point the finger of blame at others, we must acknowledge that we have a great deal to do to clean up our own back yard.

Number three, to the response that developing nations cannot afford to take these young children out of these factories, the response that I have heard from several of you confirms the research that we have done, and that is that many developing nations cannot afford not to. These young children need to be in school if these nations are to continue to develop. This is a basic human right. The International Labor Organization has international treaties these nations have subscribed to. This is different from developing standards such as wages, which do rise as a nation can afford them.

The next point, and Representative Frank, you made this very eloquently, to people who argue that this is protectionism through the back door, the answer is if we do not do something about this problem, if we do not end the scourge of child labor around the world, it is going to be increasingly difficult to convince our own people in this country that international trade and open markets are a good thing.

This effort to eradicate child labor and the exploitation of young children goes hand in hand with the Administration's and Congress's efforts over the long term to expand a liberal trading regime.

The next point, to those who say United States companies and multinational companies cannot keep track of their subcontractors, have no responsibility here, I say this: You are wrong. It is possible to keep track. Some responsible companies have already done it. The fact that they are doing it, are monitoring, are policing, indicates that everyone can.

The final message, and I want to leave this as clearly as I possibly can, to companies here in the United States, to importers, to international organizations: never, never underestimate the moral conscience of Americans.

I want to thank you all very much. And Jack Otero, I would like to ask you to continue these hearings. I am sorry that I also do have to leave. Congressmen, thank you for your participation.

MR. OTERO: Ladies and gentlemen, before we continue with the rest of the testimony I would like to go over some of the procedural guidelines and the ground rules for today's hearing.

First of all, this hearing will continue until everyone who has registered has had an opportunity to present his or her testimony. We may have to take a short break in the middle, depending upon how long the hearing lasts.

Secondly, all testimony will be on the record and a transcript of this hearing will be made available to the public. To produce a transcript, the hearing is being audio taped, so it is essential that every presenter today introduce himself or herself before speaking so that we can record you properly. And we ask that you kindly speak directly into the microphone.

Third, anyone who wanted to speak today was required to sign up in advance. This was clearly stated in the Federal Register notice that we published, a copy of which was mailed to hundreds of individuals and organizations, as well as to each foreign embassy representative in Washington, D.C. All such requests to speak have been honored.

Fourth, if you would like to respond to something that has been said here today, let me remind you that anyone may submit written testimony to the International Child Labor Study of the Department of Labor. The deadline for written statements to be placed in the record is July 5, 1996. I repeat, the deadline is July 5.

Fifth, each presenter will have up to 10 minutes for the presentation, after which I myself or members of my staff may ask you some questions germane to your testimony. I want to thank each and every one of you for participating. Not only those who are going to be speaking to us, but also to the audience for your attention and for prestiging this event with your presence.

Finally, let me say that we greatly appreciate the effort that each speaker has taken in preparing the remarks and taking the time to come here, to travel here on their own to help us in this very important work. I believe that this will be a most interesting and enlightening day, and I look forward to the presentations that will follow immediately after I conclude.

Our first speaker this morning is Robin Lanier, Vice President of International Trade and Environment, International Mass Retail Association. We welcome Ms. Lanier, and we yield the floor to her at this point. Good morning.

MS. LANIER: Good morning. My name is Robin Lanier, and I serve as Vice President for International Trade and Environment, with the International Mass Retail Association.

The IMRA represents the largest and fastest growing segment of the retail industry with 170 mass retail members that include discount department stores, home centers, category

dominant or specialty discounters, catalogue show rooms, dollar stores, warehouse clubs, deep discount drug stores, and off price stores. Collectively IMRA's retail members operate more than 61,000 stores in the United States and abroad, and employ millions of Americans. IMRA's members cumulatively represent over \$346 billion in annual sales.

I have submitted to the committee a formal written statement. I would like to summarize in the interest of time. I know there are a lot of other people waiting.

I would like to spend some time today discussing what mass retailers can do to avoid purchasing goods made with child labor, because there is one thing that is absolutely certain. Not one of my members want to sell products produced by children.

I would also like to point out the real limitations mass retailers face in eliminating child labor. I know that you are all interested in hearing about the largest importers as part of your mandate here today, but I would like to focus on the mass retail industry more generally, including many of my member companies who are not large importers.

Let me talk a little bit about my industry and how mass retailers purchase imported products.

First, most imports sold by mass merchants are bought domestically from suppliers such as importers, and middlemen, and recognized brand name manufacturers.

Second, even for private label goods -- those are goods that bear the retailer's name -- it is usually not the case that the retailers deal direct with the foreign factory, although in some cases they do.

Third, almost no retailers own or actually control factories. We purchase finished products.

And, finally, the majority of such purchases are several manufacturing steps removed from the actual exploitation of any labor.

Does that mean we can't do anything about this serious problem? Absolutely not. As Representative Miller said earlier, we have responsibility, and we do have control in some areas. And particularly we do have control over who we do business with. We can choose our suppliers with the utmost of care and we do this in two ways.

First, every major mass retailer has a commercial code which specifies its expectations for its suppliers, whether the retailer is dealing direct with the factory, or, as is usually the case here, domestically. These codes require adherence to local wage and hour laws, local labor laws, whether you are doing business here or there, and often require suppliers to enter into legally binding agreements, giving assurances that these laws will not be broken.

Where no laws exist, especially regarding child labor because that is sometimes the case, retailers have historically required their own minimum standards. As some have pointed out,

these codes alone without enforcement mean nothing but good public relations.

So my members have by-and-large adopted what I call a zero tolerance approach. Cutting off suppliers when they learn that the suppliers have violated the law. This is a very potent economic message. It sends the message to those who do have responsibility at the factory that we won't tolerate this kind of practice.

To those who would say it is unfair when a retailer chooses to terminate a relationship with a supplier who fails to meet our labor standards, we must urge them to reconsider. Mass retailers believe that exploiting workers in the first place is unfair. Termination of a contract is our only real leverage to motivate the manufacturer to meet our standards and take action to ensure that workers are treated fairly.

Some have argued that there is a third way in which mass retailers can control child labor exploitation, and that's monitoring. But, unfortunately, this is only effective for a very few retailers. As I pointed out before, the majority of our members purchase products domestically. So monitoring is only effective for those who either import directly or who are vertically integrated.

Vertically integrated retailers produce their own goods, and look at great deal more like manufacturers than most, if not all, of my 170 members. Those companies which own and control their own factories are in a position to implement and ensure enforcement of their codes of conduct.

On the other hand, the vast majority of retailers who are not vertically integrated rely on extremely vast array of suppliers -- again, most of them domestic -- and as a consequence cannot effectively police their standards.

Consider how many different products are sold in a typical mass retail store, and then consider how many factories must be involved to produce this variety and quantity of goods. We are not talking about a few dozen factories. We are talking about thousands, some of which are owned by well-recognized brand name manufacturers. Even our customers understand that the manufacturers have the prime responsibility here.

In the recently released study by Marymount University, 75 percent of the respondents put the responsibility for ensuring that goods are in compliance with manufacturers.

Now, sometimes my members are large importers, and that means that they do deal direct with foreign factories. They import direct. And retailers in this situation do visit foreign factories. And when they are dealing direct, they attempt to personally educate the producers about their standards, and they work with producers to make sure that there are no violations of child labor standards.

In fact, they even go to the factory two or three times a year. And if they saw kids chained to sewing machines, that would be a red flag, and they would not do business with that factory.

However, even if a retailer inspects a factory two or three times a year, which is usually the case on direct imports, it is doubtful that exploitation would be always found, even when it exists. The fact is that when suppliers in factories do exploit children they don't do it in the open. In addition, suppliers regularly subcontract production, and this fact is often not revealed to the ultimate purchaser, the retailers. Retailers can never hope to trace every subcontract, and often the most egregious violation of labor laws, even in the United States, take place in small subcontracting plants.

In the view of mass retailers, ultimately after the manufacturer, the job of monitoring belongs to governments, both the U.S. and foreign governments. It's called law enforcement. Indeed, developing countries recognize how potent our zero tolerance codes can be. Our refusal to do business with suppliers who exploit labor can severely impact developing countries' economies. These governments have an interest in stepping up enforcement actions, and we believe that many have begun to do so.

As the Secretary of Labor said before, these countries can't afford not to because this kind of economic development is very important to their economies.

We urge the Department of Labor to fully explore the governmental role in the monitoring issue.

In conclusion, IMRA members believe strongly that their actions promote the objective of ensuring that goods sold in their stores are not produced in violation of child labor laws or responsible codes of conduct. We have not shied away from this issue, and to the contrary, we have taken it on using the best leverage available to us, our business.

Thank you very much.

MR. OTERO: Thank you, Ms. Lanier, for your presentation, and I congratulate you and your association for your determination to stamp out child labor. May I ask you if it would be possible for you to furnish our agency a copy of the companies who participate in your association. a list of your members?

MS. LANIER: Yes, we can give you a list of our membership.

MR. OTERO: Thank you very much. I would like to ask my associates, Mr. Samet or Ms. Rosen, if they have any questions for the witness.

MR. SAMET: Thank you, Jack. I might just ask two questions, if I could. With regard to your statement about zero tolerance in removal of contracts, would you have any data that you could provide us as to examples of those terminations for your members?

MS. LANIER: We haven't surveyed our overall membership on terminations although there have been some very well publicized examples of large retailers who have terminated. Unfortunately, sometimes when a retailer decides not to do business in a country, they get criticized for cutting and running. I think is the term of art, and I think that a lot of retailers are

justifiably upset about that criticism because, after all, this is the one area over which they have the most control, and often it's very difficult to know. When you find out, you want to take the fastest step possible.

We have not surveyed our entire membership. I don't know how difficult that would be.

MR. SAMET: We would appreciate it if you would look into that and provide some data of that kind.

MS. LANIER: We will look and see what we can do.

MR. SAMET: The second issue I wanted to ask you about is your interesting reflections on the issue of law enforcement. And as you know, we have a very difficult time with the resources that the Department of Labor has in the United States with 800 labor inspectors, federal labor inspectors, and I think 1500 total labor inspectors if you include state inspectors, enforcing our laws here. That is one of the reasons the Secretary has been trying to work more intensively with businesses in that regard in the United States.

As you probably are aware, those problems are magnified, even exponentially, in a number of countries where your association members are probably sourcing from. For example, with the work we did in Bangladesh on the garment MOU, trying to get children out of the factories, I believe Bangladesh has a total of 23 labor inspectors for the entire country. And we also recognize that developing countries often struggle with the level of professionalism of the labor inspectors that they do have.

Do you have any thoughts, and maybe you can't do this today, but maybe you could provide to us, of what role, if any, associations like yours could provide and work with in a tangible way to try to help improve labor inspectors in the countries of major concern to your companies? Perhaps we could jointly consider some approach. We do provide some technical assistance through the Department of Labor, but perhaps your association would think about ways that you could either work with countries directly or with the Department or international organizations with regard to increasing and improving the inspectors that do exist in some of these countries.

MS. LANIER: I can certainly talk to my members about that. My off-the-top-of-the-head reaction to that is that obviously the most important role that we can play is the role that I have outlined here. It's an economic role. And I believe that economic role is incredibly potent. I believe that in order to fully eradicate child labor worldwide, there needs to be a combination of government regulation, adherence to ILO standards, progress towards ILO standards, if you will, and economic development.

I think that some of the worst cases of child labor are often in the least developed countries, like Bangladesh, like Pakistan. There are areas where there is clearly a problem.

We have the potential to help these lesser developed countries through our business, and

our business maybe two or three steps back. We may be doing business with the importer who is doing business in one of these countries. But ultimately we purchase the goods, we create the demand for the good. And our zero tolerance program that creates the demand and the potential for economic development is a huge carrot for a number of these countries. And you see it already with some of the Central American governments, and I know that they have filed comments with you, and I have had conversations with them. They say they can't afford not to take this seriously because they can't afford a big retailer or a big importer, or even a big U.S. manufacturer like a Fruit of the Loom that sells to our companies, they can't afford one of those entities to withdraw from their market.

So I think that's the absolute most important role that we can play. It's an economic role. And I think these countries understand the importance of economic development, and I think economic development in and of itself creates opportunities for children as it did here in the United States.

I think if you look at our own history it was a combination both of government regulation and economic development that ultimately ended our own history of child labor.

MR. OTERO: Okay, anybody else?

MS. ROSEN: I have a question.

MR. OTERO: Ms. Rosen.

MS. ROSEN: I appreciate your testimony, and particularly your description of the way your industry works. I would like to ask one quick question, and feel free to give us some detailed answers later. About the zero tolerance policies of your members, and their relationship with what you have described as the importers or the middlemen, I was wondering if there had been discussions or relationships between your members and these middlemen about the zero tolerance policy, and whether you require them to have the same policy that you do?

MS. LANIER: Right. Well, I think that that's a growing trend, to tell you the honest truth. As we have seen these problems crop up over and over again, I think a number of our member companies have recently gone out to all of their suppliers with letters reminding them of the legally binding requirements that are in our vendor codes.

Understand, large retailers don't do business with just anybody. You have to be on an approved vendor list, which means suppliers have to enter into a number of legally binding requirements, including adherence to wage hour, for example. And in light of recent events, many of our companies have gone back to our suppliers and said, "Remember, that's the requirement, and we are really serious about this." Because I think there is an attitude that maybe we aren't. But clearly as we begin to publicize every time we cut off a supplier, maybe suppliers will get the message.

Now, part of the problem that we face over and over again is this issue of subcontracting, which is a very difficult one for our industry, and one where very often the retailer just doesn't

know. It's a particular problem with Caribbean trade because of the way the Caribbean trade is structured.

As you know, the United States has guaranteed access levels for products that are made out of U.S. piece goods, and that's the kind of business retailers never do. We don't go and find American fabric and then have it cut up, and then send it over and have it assembled and bring it back. That's not our business. We buy finished products.

So if we want to take advantage, for example, of the CBI guaranteed access level, we work with the middleman, and that middleman may be doing multiples of subcontracting out in order to take care of all of those processes. That is where the process gets out of our control. We can have that vendor code, but we are not ever -- we don't have the opportunity to see the factories either in the United States where the cutting has taken place, or where the actual piece goods are put together. It is just a structural issue for us.

I don't know how you get at that unless we continue to push on the manufacturers and work with the manufacturers, and make this a partnership issue, and do all of those things in order to get them to adopt the same kind of codes as we are looking at. So we have the assurance that the people we are dealing with are really the best.

MR. OTERO: Well, thank you very much, Ms. Lanier. We appreciate you being here to present your testimony. I would now like to ask the next presenter, Mr. William Maroni, who is Vice President for Governmental Affairs of the Levi Strauss & Company. Welcome, Mr. Maroni.

MR. MARONI: Thank you very much. My name is William Maroni. I am responsible for government affairs and public policy at Levi Strauss & Company. We appreciate the opportunity to share our experience in using strict standards to prohibit child labor.

Levi Strauss & Company is the world's largest apparel manufacturer. We have approximately 40 facilities here in the United States, but we do business with more than 400 contractors around the world in more than 50 other countries. We are committed to a U.S. work force, but we also produce products overseas.

Before the issue of child labor and sweatshops became front page news, Levi Strauss & Company was the first company in 1991 to establish global standards for all of its domestic and foreign contractors and business partners. Our standards, which are explained in my written statement, are divided into two parts: Rules that govern the policies and practices of our business partners, and the conditions that exist in countries where we do business. We examine both.

With respect to child labor, we have chosen as our standard the International Labor Organization's Convention No. 138. We believe this is the most workable and most effective standard given the fact that many countries have laws that set different age limits, different levels of enforcement, and different commitments to this issue. Also, many countries have rather large exceptions to the rules that are on the books.

I would like to make just a few brief points from my written statement.

We have found in our experience that it is sometimes easier to fight for principles than it is to live up to them. We found that success in this area depends on one's commitment to enforcement. It's not sufficient to say that one is against child labor or that one is in favor of labor standards around the world, but then to adopt a "don't ask, don't tell" policy with contractors, subcontractors and suppliers.

Our experience has shown that to make standards work requires constant vigilance. It requires regular on-site monitoring of contractors' facilities. It requires a commitment to continuous improvement. This is a continuum. It's not a light switch that one can just turn on and forget about it. And while standards must be firm and clear, seeking solutions in different countries and different cultures requires flexibility, creativity, and innovation.

Finally, education is probably the biggest key to success. Education of our employees and of our business partners throughout the supply chain is essential to help them understand that these standards are an integral part of our business practices and that they are no less important than our quality standards or our delivery times. It is simply good business.

We have found that over the last five years our standards have helped us to weed out the less reputable, less reliable businesses, and to identify the best run companies around the world.

In short, adhering to extraterritorial standards -- and that's what these are, because there is no international law -- in different countries is very hard work. Eliminating child labor is an issue that does not lend itself to quick fixes, slogans, or labels. It is especially important to work closely with our business partners and to form partnerships with our contractors.

Global trade in textiles and apparel is a closed managed trade sector. Most apparel importers and manufacturers must rely on a small number of producers who actually "own" the quotas, and therefore control the production in these foreign countries. This makes it difficult to change suppliers, vendors, or contractors quickly. For this reason, it is important that partnerships be established not just with the contractors themselves, but also with local communities, with child advocacy groups, and community and social organizations in these countries.

I was pleased to hear the Secretary mention the Bangladesh example. We at Levi Strauss & Company are particularly proud of that development since it was based on a model piloted by our company. A few years ago, in doing business in Bangladesh, we found that two of our contractors were employing young girls below the age of 14. As a result, we informed them that this was not acceptable, and that the under-age workers could no longer be employed in the plant.

The plant managers and owners were more than happy to comply. They wanted to continue being a long-term business partner of Levi Strauss & Company. And they said, "we will be happy to dismiss these workers, but before you think that you have done something very positive, you should be aware that these children are facing a much worse situation than if they

stay at the plant... They are not likely to find an employer who has the same kind of standards, and their families will be put at risk."

In response the Levi Strauss & Company managers met with the contractors and they crafted a plan whereby our company paid for the tuition, books, and uniforms of these children to return to school. The contractors provided space for the education facilities, continued to pay their wages, and made a commitment to give these young women a chance to come back to the factory once they reached the compulsory schooling age. They also made a commitment to try to employ relatives of the young women so that the families would not be economically disadvantaged.

I am happy to say that the success of that model came to the attention of the U.S. Ambassador in Bangladesh, and other groups. As a result, our experience helped form the basis of what is now a country-wide reform in Bangladesh among all Bangladesh apparel or garment manufacturers.

We believe we have learned some valuable lessons that we are willing to share with others in our industry. We have offered to share what I would call proprietary materials that we have spent a great deal of time and money to develop. Examples include how to construct a database on contractors and suppliers, and our terms of engagement, which continues to be refined each year. In fact, this week we are concluding a week-long training session in the Dominican Republic for all of our auditors to learn how to make our standards and our auditing tool more effective.

We hope others may benefit from these lessons. Unfortunately, some in our industry have learned a very different kind of lesson from the Levi Strauss & Company's experience. Many have learned that no good deed goes unpunished. Some companies believe that they will become a bigger target for increased scrutiny and investigative reports by adopting standards. Some believe they can't afford to invest in an elaborate, global monitoring system.

Our experience has shown that more companies will adopt positive changes when there is a collaborative effort. For this reason, we urge that the focus be on a progressive approach, not a punitive one. The focus should be on working toward results, not on mandating a single tool or method.

We believe more can be done to show companies that sourcing standards to prohibit child labor are useful, workable and affordable. But this can only be accomplished by encouraging a variety of approaches and solutions. These solutions will and should vary, depending on the country where business is conducted, the size and influence of a firm, and even the type of business or industry.

Let me conclude by saying that clearly the responsibility for eliminating child labor rests with many institutions, including government, non-governmental organizations, religious groups, community leaders, families and business.

At Levi Strauss & Company we believe that multinational corporations can help establish

progressive examples. We can take part in developing constructive steps toward voluntary partnerships with people at the local level in these communities, and we look forward to participating in the Labor Department's Fashion Industry Forum next month to share our experience and our lessons with others.

Thank you.

MR. OTERO: Thank you, Mr. Maroni. I want to congratulate you and your company for the leadership that you have demonstrated, and for the prestige that your program enjoys in terms of doing what you have said you plan to do.

I would like to ask you if you could elaborate somewhat on what mechanism you use to monitor not only your contractors but the outsources. You said you do business with 400 contractors in 60 countries, and that is a very big part of the world. So could you elaborate?

MR. MARONI: It starts with a commitment at the highest level of the company, and it continues with an education process to make sure that all employees at every level, in every division around the world understand the importance of such standards.

Second, it's critical to write into contracts certain requirements. For instance, we do not allow contractors to subcontract work without explicit permission from our company. We want to know where the work is being performed and by which firms

Third, it requires an extensive education effort with contractors. Many have trouble understanding why some of these standards are important to one U.S. company while they are not important to others. So it requires a partnership not just to help them understand why it's an important part of doing business, but also to help them craft solutions, provide guidance, and offer technical assistance on-site.

Finally, what is required is a regular ongoing monitoring or auditing process. Our auditing tool is about 20 pages long. It's rather detailed. It becomes more detailed each year as we find areas that need closer scrutiny. It requires at least two days on-site to conduct the audit. It often involves interviews with employees, both at the factory and away from the factory, so that there is no feeling of intimidation.

Oftentimes, when problems are alleged, our investigation involves interviews with community leaders, church groups, family members. The auditing tool requires that records be kept on employment history, age, and wages and hours.

One reason we feel we have been successful is that we have a global infrastructure that allows our employees to live and work in these communities. They know the people, the contractors, and the employees. They know the communities. They understand the social network. That really gives us an edge in being able to have a full appreciation for what's happening in a particular facility.

MR. OTERO: So these audits that are regularly conducted, they are conducted by

employees of your own company who go on location and have a checklist that they follow; is that correct?

MR. MARONI: The Levis Strauss & Company auditors receive training or retraining every year. The audits are conducted on all of our 450 contractors or subcontractors at least once a year. Where we have found problems, the audits are often conducted much more frequently; sometimes three and four times a year. When we first established our guidelines, the initial audits led us to cease doing business with about five percent of our business partners, because we felt that they could not or would not live up to the obligations of our standards.

MR. OTERO: Thank you very much. Mr. Samet?

MR. SAMET: Thank you. Well, first I want to welcome Mr. Maroni back to the Department of Labor, in which some people may not know he once served. Of course, we attribute a lot of his wisdom to that experience.

I would also like to note that those who have worked in this area, in terms of the labor standards issues in this Administration -- and I am sure people outside this administration as well -- very much recognize the leadership that Levi Strauss & Company has shown. We have a great deal of respect for that leadership, and we hope to continue to learn from your company as we pursue this study.

I am very fond myself, as you know, of the same aphorism that no good deed goes unpunished, and we feel a very heavy responsibility to be supportive of companies such as yourself that are trying to be as progressive and as innovative in this area as possible. You mentioned your offer to provide proprietary information to other companies that are seeking to learn from your experience, and I hope you make the same offer to us as well for the purposes of this study. And so we will be coming back to you for that.

I had a couple specific things I wanted to ask. With regard to the standards that you seek to enforce, is it your experience -- and you may not be able to answer this now -- is child labor one of the more difficult standards or, one of the less difficult standards in terms of the range of issues that you have incorporated into your code of practices?

MR. MARONI: It was a challenging standard to enforce when we first created our global sourcing guidelines because it was not well understood. However, I would say now after five years, of all our standards, it is probably one of the areas where we feel most successful.

That success is in part the result of experience, and in part the result of our business partners' commitment to adopting and institutionalizing our standards.

So I think we have seen progress here. When the standards were first introduced there was some lack of understanding about the roles and responsibility of business partners. For example, young people would come to a factory and claim that they were 16, 17, 18 years old. In many of these countries documentation and birth certificates are not available.

On occasion, we turn to the World Health Organization's growth charts for guidance and to gain a general understanding of the age of some of the young people. We also require our contractors to have two written pieces of verification for age, wherever possible.

We know there is not a perfect system or guarantee. The more one learns the more one realizes that we have to constantly challenge ourselves to find new workable solutions. But I think over the five years that we have had these standards, people have found that they can do it. They can meet the standard and it's not a problem.

In contrast, environmental standards are continuing to evolve. There is a great deal more variety and sometimes more difficulty.

MR. SAMET: With regard to the Bangladesh experience, we also do recognize the leadership that you showed there, and as you know the Department of Labor is funding in whole or in large part the program that's put in place there. The survey of children has taken place. About 11,000 were finally surveyed. There is now an independent monitoring process that's been adopted. Children are being placed in schools, as the Secretary said. Over 100 schools have opened. In fact, I talked to our Ambassador there just this week, and he feels that the program continues to be on track.

Do you believe that that model is potentially a viable model in other countries that you do business in?

MR. MARONI: Absolutely. It is a very valuable model for a number of reasons. As you said, it's proof that to achieve these kinds of changes on a broad scale requires a partnership among many different organizations, both private and public.

It's also a wonderful example because it helps differentiate the role that a private company can fulfill and the role that other kinds of organizations or governments can fulfill. We are certainly proud of the experience we had in Bangladesh. We are pleased that we were able to have a successful pilot that led to something much larger. But it really required many other organizations to make that larger reform happen on a country-wide basis.

And I would just note that it was not without some controversy. The Bureau of International Labor Affairs and the U.S. Ambassador in Bangladesh should be commended. It should be noted that the deal almost fell apart because some parties who were involved in that partnership may have tried to overreach a bit. There were some labor/management issues that needed to be worked out. Thanks to the Labor Department and the Ambassador a real success story has been created.

MR. SAMET: Hopefully. It almost fell apart several times, and we are crossing our fingers that those events are past us.

One last question. With regard to the country assessment that you do, are there any countries presently in which you would not do business with reference particularly to child labor

or your standards in general?

MR. MARONI: I have included in the testimony a copy of our standards. One piece of it, as I noted, explains the conditions that we look examine when doing business overseas in a new sourcing country. These are conditions that are outside the control of our business partners. They include issues like the image of the country; health and safety conditions for workers and employees; the human rights environment; the legal system and its ability to protect our trademarks; the political, social and economic stability of a country.

We have not encountered a country where we were prevented from doing business in adherence to our child labor standard. We have encountered countries where we would prefer not to do business for any number of the reasons that I just mentioned. We currently don't do business in Burma. Also we have chosen to maintain only a small presence in some other countries for a variety of reasons. One may be human rights. Another reason may be that we cannot protect our trademarks because the legal system is inadequate or under-developed.

But we don't create a list of "good" countries and "bad" countries. Rather we conduct an assessment of the risks and opportunities. We use those pluses and minuses to determine whether we can do business in a responsible manner in a particular country.

MR. OTERO: Thanks again, Mr. Maroni, we truly appreciate the contributions that you have made here today, and we plan to continue our contacts with you and your company in these endeavors.

MR. MARONI: Thank you very much.

MR. OTERO: Thank you very much. The next presenter is Ms. Ann Knipper, Assistant to the Director of the International Affairs Department of the AFL-CIO. Welcome, Anne. How are you today?

MS. KNIPPER: Fine, thanks. Hi, my name is Anne Knipper, Assistant to the Director, International Affairs Department, AFL-CIO.

Mr. Chairman, I am pleased to be here today to present the views of the AFL-CIO on the vital issue of child labor. As you know, the AFL-CIO has been active in gathering information, participating in coalitions and implementing programs in the fight against child labor exploitation.

Today my remarks will be restricted to three of the themes on the hearing's agenda: the international agreements and U.S. laws that might be used to encourage the elimination of child labor exploitation, necessary components of an enforceable code of conduct, and efforts aimed at eliminating use and abuse of child labor in the production of goods imported in the U.S.

A very recent ILO report states that in manufacturing industries children are most likely to be employed when their labor is less expensive, less troublesome than that of adults, when other labor is scarce or when they are considered irreplaceable by reason of size or perceived dexterity.

We think that children do not possess any special qualities or skills as workers that adults do not possess, nor are child workers indispensable in manufacturing. We don't think that it's a coincidence that in countries and sectors where child labor is rampant you also often find a large unemployed or underemployed adult work force and a suppressed trade labor movement.

We believe that strong and independent trade unions are the best way to ensure there is no child labor in the work force.

As you know, there are a number of international agreements and U.S. laws designed to bring about the elimination of exploitative child labor. Many governments, unfortunately not including the U.S., have ratified the Conventions on the Rights of the Child which came into force in 1990. Article 32 of the this Convention states in part that governments shall take legislative, administrative, social and educational measures to ensure its implementation. In particular, they should provide for appropriate penalties or other sanctions to ensure the effective enforcement, provide for appropriate regulation of hours and conditions of employment and provide for minimum age or ages for admission to employment.

In addition, the ILO -- which has been mentioned a few times -- has Convention 138 on a minimum age for admission to employment that's been ratified by numerous governments. Although these international conventions have the force of law, we all know that they lack penalties and remedies.

U.S. law also has a number of areas that address the problem of child labor. There are a number of trade statutes, including the Generalized System of Preferences, the Caribbean Basin Initiative, and the Andean Trade Pact which are designed, in part, to encourage the elimination of child labor.

The Administration should continue to use these tools to ensure that countries enforce their own laws. Recent experience in this regard has been positive. There are several Latin American countries that have begun adopting new laws or increasing enforcement of existing laws that require companies to comply with the country's labor code in order to export their goods. Most recently the Government of El Salvador amended its export law to protect the rights of workers in the "maquila" industry. Under this new law the government can punish flagrant violators with fines, temporary suspension or eventual loss of tax and duty-free benefits that were extended to free zone investors.

El Salvador joins a growing list of Caribbean Basin countries that have taken such steps. The Dominican Republic, Guatemala and Honduras also employ this type of enforcement. However, we believe it's still too early to judge the impact on the workers.

I would now like to talk a little bit about what we believe are the components of an effective code of conduct. Business and industry codes of conduct can be important players to combat exploitative child labor. There are international codes for multinational corporate conduct that have been adopted by the International Labor Organization, and the OECD.

The AFL-CIO recognizes, however, that even the best voluntary codes of conduct,

whether international institutions' or individual corporations,' cannot substitute for effective governmental enforcement of international labor standards.

Nevertheless, beyond rhetorical support for worker rights and standards, we believe there are three essential characteristics of an effective code of conduct. It must be transparent, enforced and applied throughout the product process.

To be transparent the code must be public and available to all interested parties. The code must be translated into the language of the workers, and the outcome of monitoring must also be public. Companies, we think, should be held accountable at every stage of production. Enforcement of the code must include third party monitoring and verification. Simply signing a memorandum of agreement or posting a corporate code of conduct in a factory isn't necessarily effective.

We also believe that retailers should take an active role. Just as they ensure that the design and quality of what is produced meets a certain standard, they can also ensure that the conditions under which production takes place conforms with international standards. It's regrettable that retailers often seek to avoid responsibility for what occurs in factories of their subcontractors.

For example, Liz Claiborne and J.C. Penney, which source in Pakistan, can claim that they enforce their codes because their codes do not specifically apply to their subcontractors in Pakistan. Reebok, as we heard earlier today, is planning to open its own factory in a joint venture in Pakistan. They have stated this is the only way to ensure no child labor is utilized in production.

We would urge Reebok to use third parties to monitor this factory and process. We believe that governments and companies need third parties, trade unions, and NGOs to perform the monitoring function.

There are a number of efforts by trade unions, NGOs, industry, and international organizations that deserve mention. In order to prevent and eliminate child labor, as many of the other speakers have discussed, many different elements must be used simultaneously. There is an example in Nepal where a coalition of trade unions, NGOs locally, carpet makers, governmental bodies and international organizations have agreed to implement the Rugmark/Nepal labeling programs and the child worker welfare program, which provides a number of former carpet weavers non-formal education and vocational training.

The role of this program in Nepal underscores another important consideration in the fight against child labor. The costs associated with schooling, when schools are available, is prohibitive in many of these countries. Many families can't afford the books, uniforms or food required to send the children to school. To combat this aspect of the program, some organizations have begun to address this basic need. For example the Starbucks Foundation reportedly plans this year to buy shoes for children in Indonesia, and without shoes we are told the children wouldn't be able to attend school.

The conditions and forms of child labor vary from country to country, from sector to sector. Any successful program for the prevention and elimination of child labor must be a collaborative effort, involving trade unions and nongovernmental organizations, international organizations, including the ILO, UNICEF, and we believe also the World Bank, government agencies, and the private sector.

The AFL-CIO believes that all avenues available should be used to eliminate exploitative child labor. In addition to what's been discussed, we are convinced that the enactment of the proposed Harkin-Frank bill, which restricts the import of products made with child labor, is necessary. U.S. citizens, as we have heard today, do not want to purchase goods made with child labor. Here, government has a vital role to play. We urge the Administration to support this bill and for its speedy congressional adoption.

Thank you very much.

MR. OTERO: Thank you, Ms. Knipper. I would like to say for the record that the Department of Labor is extremely grateful to the AFL-CIO, and in particular, to your institute, the Asian-American Free Labor Institute, for the support that it has given to our efforts in Nepal, and in other parts of Asia in these endeavors. We thank you very much. Mr. Samet?

MS. KNIPPER: No questions?

MR. OTERO: Thank you very much. We appreciate your being here today.

MS. KNIPPER: Yes.

MR. OTERO: The next speaker is Ambassador Abraham Katz, who is president of the U.S. Council for International Business. And if I may add, he is also the United States Employer Representative on the Governing Body of the International Labor Organization. Good morning, Abe.

MR. KATZ: Jack, good to see you. Since you introduced me already, let me just make clear that the U.S. Council for International Business, of which I am the president, is the U.S. affiliate of the International Organization of Employers, the IOE.

This organization represents employers in the International Labor Organization, which is the primary -- I believe the most effective international agency addressing the issue of child labor. Now, as a result of very intense discussions in the Governing Body of that organization, a working party on the social dimensions of the liberalization of international trade assigned the issue of child labor to the Employment and Social Policy Committee of the Governing Body, of which I am the Employer Vice Chairman. That committee examined the issue of child labor in March of '95 on the basis of an excellent paper by the secretariat of the ILO.

On June 3 of this year the general council of the International Organization of Employers, over which I presided, passed a resolution on child labor and the annual conference of the international organization itself, the tripartite organization, passed the resolution on the same

subject.

I cite all these efforts to assert that the world's organized business community, as represented by the IOE, the tripartite International Labor Organization, representing governments, trade unions and employers, the secretariat of the ILO and its very effective International Program on the Elimination of Child Labor, IPEC, are in agreement on certain basic points.

I am just going to summarize what I consider the most important points. Child labor is to a great extent caused by poverty, and the long-term solution lies in sustained economic growth leading to poverty elimination and universal education. Nevertheless, all segments of society - governments, employers, workers and their organizations - should work actively for the progressive elimination of child labor.

I stress the words "progressive elimination" because those words were not put in there by accident. There is clear shared understanding that this is a complex program that requires long-term action tailored to individual national circumstances.

However, there is also clear agreement on the need to immediately proceed with the abolition of the most intolerable aspects; namely, the employment of children in slave-like and bonded conditions, and in dangerous and hazardous work, including the exploitation of very young children and the commercial sexual exploitation of children.

There is agreement and clear understanding that solutions which put children out of work without providing an alternative means of livelihood for them and their families can place the children concern in a worse situation. All segments of society are urged to translate child labor policies into action plans and to implement them, taking care, and I stress "taking care" - and these are the words of the tripartite resolution just passed by the conference -- taking care to ensure that the situations of the children and their families are improved as a result.

In pursuit of this generally agreed approach, the resolution of the International Organization of Employers called on employers and their organizations to undertake a plan and implement actions to translate this strategy into reality.

In particular, the IOE resolution called on employers and their organization to raise awareness of the human cost of child labor, as well as its negative economic and social consequences; put an immediate end to slave-like bonded and dangerous forms of child labor, while developing formal policies with a view to its eventual elimination in all sectors; translate child labor policy into action plans at the international, national, industry and enterprise levels; implement the plans, taking care to ensure that the situation of the children and their families is improved as a result; support activities targeted at working children and their families, such as the establishment of day care centers, schools and training facilities, including training of teachers, and initiate such activities wherever possible; encourage and work with local and national government authorities to develop and implement effective policies designed to eliminate child labor; and promote access to basic education and primary health care, which are crucial to the success of any effort on this issue.

Recognizing that many individual companies -- and you heard from an exemplary company just a few minutes ago -- and employer organizations have developed creative approaches to the problem, such as identifying the under age workers, reducing their hours, creating educational facilities for them, improving working conditions and so forth. The resolution called on the IOE Executive Committee to create a database on companies and organizations that are active in combating child labor, develop and distribute an employer handbook addressing child labor, receive reports from the IOE membership on their initiatives and other developments in the area of child labor, and report to the General Council on an annual basis as to work done in combating child labor.

It is hoped that this very proactive program, which revolves around an exchange of best practices that will be incorporated in this employer handbook, will disseminate among all employers and their organizations the creative approaches to this problem, which may then be adapted to local or company circumstances. Such a best practice handbook would also serve to stimulate newer and more imaginative approaches to local problems.

As one of the key people in a company known for -- I don't want to cite the name, but you can guess which it is -- known for its very creative approaches the problem for many years, told me, we are constantly learning from our experience here.

It was clearly the view of the International Organization of Employers that trade measures of any sort should not be used to deal with this program. Whether such measures are the product of legislation or well meaning activist efforts such as labeling schemes or consumer boycotts, the results could be disastrous for the children affected. And I believe that's the reason, because of certain experiences, that that language in the tripartite resolution was inserted, is to try to avoid such disastrous results.

There are cases in which contracting companies under the threat of action in importing countries, emptied their factories of children who were put on the streets with no recourse but to engage in prostitution, begging or at best work in far less favorable conditions.

It is clear that no one-solution-fits-all-problems approach can deal constructively with this complex issue. The organized employers community believes that this issue is best tackled through cooperation, example and sympathetic assistance on the ground rather than by politically motivated coercion on the part of wealthy importing countries. Thank you.

MR. OTERO: Thank you, Ambassador Katz. Let me on an aside, first of all, do something that I should have done in Geneva, which was to congratulate you on your election as president of the International Organization of Employers.

MR. KATZ: Let me not take that too far. It started off, Jack, as a honorific thing. One of the senior employers gets the chair of the General Council every year. But we decided this year that we would take that event and make it more than a routine ceremonial event, and we prepared and discussed two very closely related issues.

One, the social clause in which you know our position. We passed a resolution on that.

But very closely related to that we decided that it was time for the organized employers of the world, and there are 120 employer federations in this organization, to take a proactive approach to this issue and do something positive.

I was very proud to preside over that. Amanda Tucker, our labor policy director in the U.S. Council, worked with a group of people from the other employers' federations and that's just the beginning of the process. The fact that we say it's going to happen has not yet made it happen. We have got a long way to go.

MR. OTERO: I wanted to ask you a question, Mr. Katz. This employer handbook, and I understand you have given our office an outline, but would it be fair for us to assume that this employer handbook would be like a code of conduct a la Levi Strauss & Company, for example, that type of approach?

MR. KATZ: Well, I would rather not characterize it as a code of conduct, but rather as literally a best practices handbook, because obviously the Levi's story is one of the best practices that we can cite. But it will have, as we all contemplated, a variety of experiences. IKEA, for example, has done a bit of work in this area. I have spoken to people from the Gap. They are interested in participating. We are just beginning. This is not only American experiences, but European and others, and we must not forget the fact that the employers' federations in these countries themselves have a very important role to play.

For example, when we started this exercise, much to my surprise, the Kenyan Employers Federation already has a set of guidelines on child labor, and obviously tailored mainly to the problem of child labor on the plantations in Kenya.

So I don't think this effort lends itself to a simplified code such as the multinationals code either in the ILO or the OECD, but rather, to a compilation of things that have worked, and that are supposed to provoke further thought as to what could work, and to have an exchange.

MR. OTERO: Thank you. I would ask Ms. Rosen if she has any questions? Mr. Samet? Well, Ambassador Katz, I congratulate you for being here today, and also I want to recognize your assistant, Amanda Tucker, who also works very hard at these issues.

MR. KATZ: She has made a major contribution to tackling this problem.

MR. OTERO: And I understand that she is a person that makes you look very good all the time.

(Laughter.)

MR. KATZ: As you can tell.

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MR. KATZ: Thank you.

MR. OTERO: I would like to call now the next presenter, Mr. David Schilling, who is Director of the Global Corporate Accountability Programs, Interfaith Center on Corporate Responsibility. Good morning, Mr. Schilling.

MR. SCHILLING: Good morning. First, let me say it is a delight to be here and to say publicly how important your work is. Sometimes you may not know how it's impacting on a situation like child labor. But you have been in a real leadership position on this issue, and we want to strongly state that working with the Department of Labor on sweatshop issues has been an excellent experience. Also, on glass ceiling work with our equality work at the Interfaith Center on Corporate Responsibility. It's really critical that agencies of government do the kind of work that is needed to empower citizens in groups like ours to do effective work.

Each week brings new items to our attention in this area. A 12-year-old worker in the Pakistan soccer ball industry earning 60 cents a day, an Indonesian worker making shoes for Nike being paid \$2.30 a day, children under the age of 14 in factories in Honduras where garments are made for prominent U.S. retail chains, Mexican workers who are employed by Zenith who are now today making a choice between food and housing, because of the company's poverty level wages.

It's clear from all the testimony that you have heard that as the global marketplace expands U.S. companies must answer the question: What values and standards should guide their operations and the operations of their partners in diverse countries and cultures?

In an interconnected world where U.S. consumers and investors learn quickly of child labor conditions in sweatshops halfway around the world, through the internet or the evening news, U.S. companies and their contract suppliers must address exploitative employment conditions that will not be tolerated by a growing number of socially aware consumers and investors.

According to a survey released in November of 1995 by Marymount University, more than three-fourths of Americans would avoid shopping at stores if they were aware that the stores sold goods made in sweatshops.

One of the tools, as we have heard already today, that can help address these issues in a comprehensive way is a company code of conduct that is applied worldwide. There is open debate about how effective company codes are. If a company code comes out of the marketing or the public relations arm of the corporation, most likely it will not be an effective tool. If, on the other hand, it comes out of top management with a lot of resources and resolve in creating a code of conduct that's applied to all contract suppliers, it has a great chance of making a difference in terms of employment practices globally.

The Interfaith Center of Corporate Responsibility is a coalition of 275 institutional members from the Protestant, Catholic and Jewish communities, with a combined portfolio of about \$50 billion invested in U.S. companies. And we have had 25 years experience engaging corporations in dialogue around corporate responsibility issues and codes of conduct.

In recent years our members have filed a plethora of shareholder resolutions on these issues, either to ask a company to formulate a code of conduct or to amend their code of conduct to include human rights criteria, labor rights criteria, employment practices that include paying a living wage, that include no child labor and forced labor. And in some instances we filed resolutions asking companies to withdraw from a country. We filed resolutions for 10 or 15 years calling on companies to withdraw from apartheid in South Africa. We are asking companies now to withdraw from Burma because of the human rights violations there.

We think codes of conduct and effective monitoring are essential instruments for U.S. garment importers and other importers to overcome exploitative worker and child labor practices.

Let me briefly talk about some of the key components that we think are essential in an effective code of conduct, and this will be building somewhat on Mr. Maroni's testimony, so I will skip some of my own.

First, strong child labor provisions based on the ILO's Convention 138, have to be a part of every single code of conduct if they are going to be effective. The Gap, Levi Strauss & Company and Reebok have such statements in their codes of conduct.

Second is a freedom of association provision. This provision is necessary because children are much more likely to be working in a non-unionized work force. Independent unions freely elected by workers are a significant factor in overcoming sweatshop conditions where exploited labor and child labor flourish.

A few companies have freedom of association statements in their codes of conduct but not enough. This is critical because, as we know, at least 60 countries have established export processing zones where some 4 million -- and that's a conservative number -- of workers are employed, 2.6 million of whom are women.

In many of these countries the right to organize and bargain collectively is restricted in these zones. A responsible company can make a difference by seeking out partners that share a commitment to the rights of employees, or that help partners grow in their commitment to the principle of freedom of association.

A third provision is a difficult but critical one, and that's the whole concept of a sustainable living wage. If adult workers are paid wages which allow them to meet their needs and those of their families, they will not need the income earned by their children, and their children will be less likely to work.

Most company codes of conduct contain provisions which support wage and benefits packages that pay the country's minimum level wage that a country sets, or a competitive prevailing local industry standard. The problem with these formulations is that the minimum wage in most countries is set so low that the minimum no longer means a wage level that enables a person to live and to survive. Instead of companies paying a minimum wage, they should be analyzing the purchasing power needed for workers to meet basic needs, set aside money for future purchases, allow for the availability of enough discretionary income to support the

development of small business in local communities -- a real living sustainable wage.

Ruth Rosenbaum, a board member of ICCR and co-chair of the Global Corporate Accountability Issue Group, has developed a purchasing power index study that tracks changes in prices and wages over time. Companies utilizing this tool can determine the wage level that equals a sustainable living wage.

We believe that companies need to make a clear declaration that they will pay a living wage. In fact, Proctor & Gamble and Bristol Meyers Squibb have done just that.

And, fourth, it's utterly essential that company codes of conduct be meaningful, which means enforceable. Mr. Maroni laid out a lot of the internal compliance mechanisms that Levi Strauss & Company is using. The Gap, Philip Van Heusen, Reebok, among others, have developed compliance measures and are learning from the experience of Levi Strauss & Company in this area.

But even the most thorough internal compliance measures, cannot catch all violations of a company's code of conduct on child labor, on health and safety issues. Wal-Mart's inspection of Global Fashion in Honduras, where Kathy Lee Gifford's clothing was sewn, had not found children working in that plant, but the National Labor Committee and some human rights groups in Honduras did. Companies need to consider independent monitoring an important tool that can supplement internal compliance measures.

Now, a number of companies do use third party monitors -- consulting firms that audit compliance with their codes of conduct -- and this is important. But while this strategy may produce valuable information on whether or not a supplier is in compliance, third party audits of this type tend to rely on infrequent visits to a plant or a site.

In a promising new development, the Gap has agreed to work with nongovernmental organizations to build an independent monitoring system at Mandarin International, a Gap supplier in the San Marcos Free Trade Zone in El Salvador. The 15th of December, 1995, the Gap met with the National Labor Committee to talk about the conditions at Mandarin. Workers had expressed concerns over conditions in the past several years, including child labor, forced overtime, unsafe working conditions, threats to prevent workers from organizing and the firing of union leaders.

The outcome of this meeting was a resolution in which the Gap agreed to work with the Interfaith Center on Corporate Responsibility, Business for Social Responsibility, and the National Labor Committee, to explore the viability of independent monitoring at Mandarin International, El Salvador. In January of this year, we began to work and formed the Independent Monitoring Working Group in North America, and started to define what independent monitoring is, its goals and shape. At this point the monitoring group has developed the following working definition of independent monitoring:

An effective process of direct observation and information gathering by credible and respected institutions and individuals to ensure compliance with corporate

codes of conduct and applicable laws to prevent violations, process grievances, and promote humane, harmonious and productive work place conditions.

The Independent Monitoring Group has also set the following goals for independent monitoring at Mandarin International:

To detect violations of the Gap's code of conduct and applicable law; to promote practices leading to compliance with those standards; encourage Mandarin to educate managers and workers about the vendor standards, applicable law, their responsibilities, and the rights of their workers; to deter abuses against workers; to provide a safe, fair, credible and efficient mechanism for dispute resolution to foster a productive human work environment; and to promote utilization of existing processes within the factory to resolve problems as possible.

The independent monitoring project took a major step forward when four respected institutions in El Salvador stepped up and said, "We will be the independent monitors." The monitoring group includes representatives from the Secretariat of the Archdiocese of El Salvador, to Tutela Legal, the human rights office of the Archdiocese, the Human Rights Institute at the University of Central America, and Centra, a labor research organization.

These institutions have had a long record of upholding human rights in El Salvador. An historic meeting took place at the plant, at Mandarin International, where all these labor problems had been taking place over three years. On March 22nd representatives of the monitoring groups, the managers, former union leaders that had been fired and current workers met together and signed a resolution where each party pledged to focus on worker/management relations and create a productive, stable, successful business at Mandarin. They pledged to rehire the six union leaders, and as orders come back, to rehire workers, 250 to 400 that were fired over the last two years: and to work with a team of independent monitors to ensure that all parties conform to the code of conduct and El Salvadoran law.

This resolution, whereby Mandarin pledges to rehire these workers and work with independent human rights groups who now have access to that plant on a daily basis, is unprecedented.

Since the agreement, monitors have begun to work. Today they will be publishing their report based on a number of interviews of workers. The report's summary will indicate that since the agreement monitors have begun work, the conditions in Mandarin meet the standards in the Gap code of conduct as well as Salvadoran law. This is a tremendous shift.

While it is too early to assess and evaluate independent monitoring, there are some hopeful signs that independent monitors made up of respected local institutions committed to human rights will play a crucial role in ensuring that worker rights are respected and company codes are upheld. These monitors live on the scene, have regular access to the plant, can receive and investigate complaints from workers where they don't have to fear reprisals.

Those involved in this pilot project remain hopeful that the process will result in humane

and productive conditions at Mandarin, and then expand to other Gap facilities in El Salvador and in Honduras in the fall.

As other companies struggle with compliance issues of their codes, and enforcement issues, they need to consider independent monitoring as a viable way to assure themselves and customers that workers making their clothes or shoes are employed under conditions that are fair, just, legal and humane.

ICCR members believe from experience that there are a number of companies like the Gap and Levi Strauss & Company, who are willing to step up and find ways to do business responsibly in the global economy. Others may be reluctant to enter this unknown territory where business operation and human rights intersect. But a growing number of consumers and investors are concerned not only about cost and quality of a product, but the working conditions under which the product is made.

This concern is not going to go away from the religious community, from consumers. As companies struggle to do the right thing, codes of conduct, in addition to a number of the other creative interventions that we have heard -- legislation, labeling and other approaches -- will play an important role in creating workplace conditions in the global economy that are healthy, and humane.

I close with an appeal. The issues of child labor, exploitative conditions and sweatshops and fair treatment of employees are of deep concern to us as religious institutions and investors. We pledge to raise these issues with companies using our role as investors. We know that the Department of Labor and the Clinton Administration are supportive of our efforts to encourage companies to act responsibly wherever they operate in the globe.

But the Security and Exchange Commission (SEC) is totally out of step with the Administration and the Department of Labor on these issues. When ICCR or the City of New York files shareholder resolutions on codes of conduct, child labor, sweatshop practices, the SEC rules that these are matters of "ordinary business," and allows companies to omit them from their proxy statements.

In short, the SEC works hard to protect companies from being held accountable by concerned investors. This is scandalous, and we urge your support to ask Chairman Levitt to end this short-sighted policy and stop destroying our rights as investors to raise these critical issues. Thank you.

MR. OTERO: Thank you, Reverend Schilling. Let me say that with regards to the last part of your testimony, we will bring this to the attention of Secretary Reich for him to determine what appropriate action is warranted in this case.

MR. SCHILLING: Thank you.

MR. OTERO: I wanted to say that I have been following the work of your Center for great many years, and I know that you are a very powerful institution, when you have \$50 billion

to invest. I know the work that you do in making sure that the investment of the various churches are in the stock market and certain companies that follow a certain guideline.

But I was wondering, they have even greater power as a coalition of religious institutions. We have been experiencing a great deal of difficulty in many countries, in Latin America and in Asia, where these new export processing zones are coming into being, where the companies that seek to invest there have four points in mind.

One, they want a union-free environment. They want low wages. They want the no or weak application of the labor code in the territory of the export zone. And they seek for tax exemptions sometimes up to 10 years.

Does the Center have a policy regarding how you can attack these problems from the perspective of the moral responsibility of the religious community in these countries where these processing zones are developing?

MR. SCHILLING: The Interfaith Center on Corporate Responsibility is a coalition of U.S. churches and synagogues, pension programs and investments. Because we have been around for 25 years, we have relationships with religious bodies in various parts of the world.

As you remember, much of our experience starting in 1971 was around the South African issue. We were able to get companies to withdraw -- it took 10 to 15 years, but they did -- because of coalitions with the South African Council of Churches and the Catholic Bishops Conference of South Africa.

Now we are developing relationships with religious organizations that share moral concerns about the human development of people, and raise questions as companies come into their countries: what is created for people and what is being extracted from countries?

Two areas that I think are hopeful. One, we have worked with groups in Mexico over the last 10 years on the U.S. maquiladora zones, where U.S.-owned maquiladoras are operating along the border (and now throughout Mexico) often paying low wages and having problems with environmental responsibility. We have worked with religious bodies as well as with labor to bring to the shareholder meetings of these companies in the United States the concerns they are addressing. So we are developing relationships with those institutions.

The example of the work with the independent monitoring and the Gap is tremendous because it is a coalition of religion and labor in San Salvador that stepped up and said to the Gap and to the independent monitoring working group here, "We will commit ourselves, our resources to do this task." The Archdiocese of San Salvador, which has had a tremendous record of standing up for labor rights and human rights throughout the civil war, is still at work and is very concerned about the role of multinationals coming in and the kinds of trade offs that are taking place in order to get investment.

The human dimension to this is very, very real. I think, as many said this morning, as U.S. consumers and persons from the religious community learn about the conditions, there is

not just an economic concern, but a moral concern.

But your question is a challenge to us, to develop stronger ties with the religious community. We have begun to do it in Irian Jaya, Indonesia, around work with a large mining company, Freeport McMoran, where religious leaders have come to us and said "File a shareholder resolution around environmental and human rights issues," and we did that. But your challenge is a very important one, and I will take that back to my boss, and see where we go with it.

MR. OTERO: Thank you much. Mr. Samet?

MR. SAMET: Thank you. We are obviously also great admirers of the work that your organization does, Reverend Schilling. If I could ask one question, I was going to say as devil's advocate, but I'm not sure that would be appropriate to you representing a religious institution.

MR. SCHILLING: No, that would not. No. Try again.

(Laughter.)

MR. SAMET: Well, we have heard some testimony about the potential negative impacts on children who are at work of proposals such as labeling efforts and certain types of trade legislation that might be supported by people in your community. As religious institutions, how would you respond to those arguments that some of these efforts might in fact leave children in worse conditions?

MR. SCHILLING: Well, the Interfaith Center obviously does not speak for the religious bodies in the United States. Our members come from a number of denominations, Protestant denominations, Catholic churches, orders, health care systems. So we do not speak as one voice.

What we try to do is organize our members based on the social principles that they have and the concerns that they express to be effective in making a shareholder voice. But having said that, our concerns as religious institutions have always been -- hopefully -- holistic. And that is to say that remedies in terms of -- let's talk in terms of child labor -- has to take into account a whole variety of factors.

Certainly religious institutions are strong -- have their own systems of development within Third World countries and work with partners in trying to deal with these issues on the ground in those countries. That I think is probably more an effective approach for religious institutions.

However, there would be a concern, I think, on the part of many of our members that because something is critical, because something is difficult, because something is complex, like doing away with child labor, that is no reason in and of itself to not do the hard work, to try to marshal the resources from governments, from businesses, from NGOs, to address these issues. A child must have an alternative to work. If it doesn't exist, it needs to be created. Maybe the Bangladesh example is one that we need to learn from.

MR. OTERO: Well, thank you, Reverend Schilling. We appreciate the effort that you have put into your testimony, and we thank you for being here with us today.

MR. SCHILLING: Thank you.

MR. OTERO: The next presenter is Mr. Pharis Harvey, Executive Director of the International Labor Rights Fund, Co-chair of the Child Labor Coalition, and one of the most active persons that I have known in this field of human rights and child labor. Welcome, Pharis.

MR. HARVEY: Thank you very much, Jack. I have been waiting all morning to get to this water. My name is Pharis Harvey. I am the Executive Director of the International Labor Rights Fund, a co-chair of the Child Labor Coalition, and a chair of the Rugmark Working Group within the Child Labor Coalition, and it's in that capacity that I want to speak this morning.

It's a great pleasure and honor to be at another important hearing on child labor. The Department of Labor has carried out an immensely important pioneering task in raising public awareness about this issue. Since there is substantial evidence that the incidence of child labor in production for export is growing as one of the more evil side effects of globalization, focusing on steps being taken to end such practices is highly appropriate, and long overdue. Secretary of Labor Reich and the International Labor Affairs Bureau are to be congratulated for your strong leadership in this area.

My colleague, Dan McCurry, will testify later regarding a campaign that the International Labor Rights Fund has initiated today, and I must say with a very strong encouragement and presence of all of the high officialdom of the Department of Labor, and that was impressive and most appreciated.

I want to direct my comments to another campaign in which we have been active from the start, the Rugmark Initiative to market oriental carpets from South Asia that are not made by child labor. These two initiatives represent what I believe is the cutting edge of a global movement to use consumer awareness and consumer pressures to improve work place conditions in the new world economy.

I believe also there are important learnings from these two experiments -- one now with two years of experience; the other just underway -- for other ventures relating to other products.

Further, I believe that the efforts to highlight the abysmal conditions prevailing for children making goods for exports, which probably involve no more than 15 to 20 percent, at most, of the world's child labor, have also begun to shake awake a number of governments and international agencies regarding the even more difficult intractable problems faced by the other 80 to 85 percent -- the forgotten, invisible kids sweating in granite quarries, brick kilns, beedi factories, street vending, prostitution, begging, farm toil, and deep inside the homes of the rich and comfortable. In that sense, the demonstration effect of these experiments is turning out to be powerful and efficient.

The Rugmark Foundation was formally chartered in September 1994, in New Delhi, India,

to develop a trademark and a voluntary certification program for carpet exporters to demonstrate that the carpets they were producing were made without child labor. It was conceived also as a means to raise voluntary assistance to rehabilitate former child carpet weavers, the numbers of whom were estimated to be around 300,000 in India, about 200,000 in Nepal, and as many as 500,000 in Pakistan. I must say those numbers are not certain because of the difficulty in all of those countries of getting accurate figures, but those are the most widely used figures for the scope of the problem we are dealing with in those three countries.

The first Indian exporters were licensed in December of 1994, and the first carpets with the rug mark label were ready for export in March 1995. In the 15 months now since the first carpets were shipped, more than 75 exporters have been licensed, 180 or more other carpet producers are awaiting approval of their applications for licenses, and more than 200,000 carpets have individually been certified, labeled and put on the market, mostly in Germany; to a small extent, in the United States as well, but mostly in Germany.

A professional staff of 21 has been hired, including 13 inspectors who have conducted surprise inspections on more than 11,000 looms.

Now approximately 30 percent of the German market, the largest oriental export market or carpet market in the world, is occupied by rugs bearing the Rugmark label from India.

Furthermore, the Rugmark Initiative, which began in India, has now become an international program with the advent of Rugmark Nepal. In order to enable this to come about the ownership of the Rugmark trademark has been transferred this year to Rugmark International, located in Dieseldorf, Germany. The Indian and Nepalese Foundations have become autonomous institutions responsible for maintaining the standards and procedures for licensure set by the international foundation. In Kathmandu, this week will likely mark the final signing of an agreement between the international program and the Rugmark Nepal Foundation where 30 large-scale manufacturers responsible for 70 percent of Nepal's carpet exporters have committed to becoming licensed as Rugmark producers.

The Foundation board of directors has been registered, the requisite balance of NGOs and companies has been acquired, the officers have been elected, the staff is being hired this week. Certainly we can expect to see a significant increase in the availability on the world market of carpets that are assured of having been screened thoroughly to avoid child labor.

Unfortunately, in Pakistan, the discussions about Rugmark are just dribbling along with no discernable progress. When on April 16th last year, a young Pakistani activist and former carpet slave named Iqbal Masih was murdered near Lahore, world outcry caused at least a \$15 million and perhaps larger dip in Pakistan's earnings from carpet exports.

However, despite this shock, and the succeeding waves of public outrage at the country, the industry continues to dither away, losing market share and credibility alike. A faint effort by the government, on this year's anniversary of Iqbal's death, to announce its commitment to Rugmark has led to no discernable progress in the period since then.

So for now, until Pakistan joins the initiative, two of the six or seven leading producers of hand-knotted carpets have begun a serious effort to end the exploitation of child labor and market forces are now underway to try to encourage the other producers to join in that effort.

Is it working? A year ago at the hearing held under your auspices the president of the U.S. Oriental Rug Importers Association testified to his belief that Rugmark was a "sham." You probably also recall I had to ditch my testimony and respond to that on the spot.

In strong denunciatory terms, it was claimed that the Rugmark Foundation could not possibly meet its stated goal of certifying that all the carpets made with its label had been made without child labor. This criticism has in recent months been echoed in India by several nongovernmental organizations who have expressed concern not only that Rugmark couldn't adequately inspect such a diversified and scattered area of production as the entire Uttar Pradesh carpet belt, but that it had failed to develop any programs for children displaced from the work force as a result of its activities.

These were serious concerns, if accurate. And since they were being repeated by respected human rights organizations in this country, the International Labor Rights Fund undertook a mission, together with the Robert F. Kennedy Memorial, in April and May this year, in order to ascertain what basis, if any, these criticisms had.

I had hoped to have finished a formal report of our findings in time to release at this hearing today. Unfortunately, I have been laid up with an illness that has delayed that work, but I would like to briefly summarize our most important findings. And I know we are running way behind schedule, so I will not try to read the entire document.

But let me say, first of all, the inspection and monitoring system works. It is possible to make this claim strongly and without equivocation. After a rocky start with poorly trained personnel, the Rugmark Foundation has gradually put together a competent, well paid, and well trained staff to conduct its investigations and to monitor compliance.

In the carpet belt of UP, the Foundation has a reputation, not much appreciated, but it has a reputation for being incorruptible, something which very few institutions in that region of India can claim. A multiple system of checks and balances has evolved to prevent ethical mishaps or moral lapses, and it includes a number of steps related to how a licensee is selected, approved and monitored.

A legally binding contract is signed before a licensee is approved, committing his company, or her company, and all of their subcontractors not to use illegal child labor, to pay workers the minimum legal wage, to register all their looms with the Indian Government's Carpet Export Promotion Council, to use only registered looms, to supply the Rugmark Foundation with a complete list of those looms and to keep that list up to date, and not to contract with anyone who is unwilling to meet these conditions.

Next, export records from the last two years and a full list of looms are submitted to the Foundation. The export records are then checked with the loom list and it is determined whether

or not the number of listed looms is adequate to meet the exports that they have been claiming. This is to prevent a partial listing of looms so that companies can produce with child labor off on the side and certify and clean up only a part of their operations.

If the company meets these requirements, then up to 35 percent of the looms currently at work are inspected, and if no child labor is found, then the exporter is accepted as a licensee. If child labor is found, the owner is given one month during which time a second surprise visit will be made. And if child labor is found a second time, then that export license or that trademark license is rejected.

All of this information is entered into a computerized tracking base, a database which can keep track of the activities, know which loom owners have been found with problems, which exporters are hiding, and can enable the inspectors to work very carefully.

However, I should point out getting a license doesn't mean getting a label, and I think there has been much confusion among NGOs in India and elsewhere, that once a licensee was accepted, that licensee could use labels on all their carpets.

What we found in our investigation is that a much more rigid process is followed, which maintains independent and individual control over the production of each carpet of a licensee. Whenever a purchase order is received by a company, a copy of that purchase order is sent to the Rugmark Foundation. It indicates the size, the quality, the design and the number of the loom on which that carpet will be produced.

This information is then sent to the inspector's field office in Varanasi, in the carpet belt, and that means that during the one-to-nine months that the carpet is under production, the Rugmark Foundation inspectors have all the opportunity they need to check to see if the data that are provided in that purchase order are accurate as far as that loom is concerned, and whether or not child labor is involved. If child labor is found, that carpet is not certified for a label and that loom is de-registered.

The second set of checks and balances maintains control over any possible corruption of the work force of the Rugmark Foundation itself which, of course, is an important matter. The inspectors always work in pairs, and those pairs change daily. The inspectors are unaware of the locations they are to go until the day on which they leave for an inspection, so that they do not have an opportunity to surreptitiously warn a loom owner that they are on their way.

The taxi drivers that they hire are cleared and kept under very careful surveillance to make certain that they are employing people of integrity so that they are not in a position to warn loom owners. There is very little they could do anyway since they don't know where they are going until the passengers get in the cab.

The inspectors are paid significantly more than they might be able to earn given their educational level and other occupations in that region, and this is an important point because the loss of this job would mean that they would lose a level of income to which they are becoming accustomed. This in itself is an incentive against taking income on the side in order to generate

additional income.

And then finally the supervisor of the inspectorate is from a distant region of India, who has no religious, caste, personal or familial ties in the region that might upset his own objectivity. He also has 15 to 20 years experience in the Varanasi region, first as a student and then as a university researcher. So he brings knowledge of the region without all the baggage of familial ties that can get in the way of his own objectivity.

In the only instance of misbehavior found so far, one inspector was let go early on last year in the program because it had been his belief that the goal was to find as many children as possible, and he turned out to be falsifying the records, indicating a larger number of underage workers than were actually found. He was told both that that was an unethical practice, and that his services were no longer needed.

On the other hand, although vague complaints have been made by critics in India about the impossibility of inspecting and monitoring such a widely scattered number of small producers making carpets in family loom sheds in hundreds of villages and so forth, after 15 months of full operations not one single falsely labeled carpet has been identified by the critics. This is in an area and an industry where mutual suspicious and rivalries are legendary, and where violence is common.

As Sherlock Holmes noted, the significant fact is the dog that isn't barking.

The second point we found is that the rehabilitation program is slow in being developed. Those criticisms were legitimate, but it is slow for understandable reasons. The original design for Rugmark envisaged a rehabilitation and education component in which children liberated from carpet looms would be placed in centers and schools set up with funds raised voluntarily through carpet importers' fees in the marketing countries.

Thus, the program would contribute not only to the end of child labor, but to helping the individual children affected by it. However, one year after the first carpets were shipped, a formal rehabilitation program was not yet in place. Critics began to complain that the Rugmark Initiative, while perhaps ending child labor in part of the carpet industry, was probably responsible for doing no more than driving children from one loom owner to another, and might be leaving children in worse conditions than before. It was argued that Rugmark might become no more than a marketing incentive scheme.

The truth, insofar as we were able to grasp it in our investigation, seems considerably less dramatic, less negative, and on the way toward a positive resolution. More than half the children located by inspectors were found during the opening few months of the program. Only some 280 illegal child workers have been discovered by Rugmark inspectors at either potential or actual licensee loom sheds in the year since the inspectorate office was set up under Matthew John in July 1995.

Of these, about 80 percent were local children who were simply dismissed and went home, or perhaps went to another loom owner. That was beyond our control. About 20 percent, a few

more than 50 children, were so-called "bonded child labor," those who had been hired, lured or bought from a distant place to work at a loom shed, and who, when dismissed, had fewer options, more need of rehabilitation and no immediately available family support.

It should be said parenthetically that the discovery of only 280 children in Rugmark inspections should not be interpreted as a indication of the scale of child servitude in this industry. In the first place, Rugmark inspectors only went to the loom sites of carpet makers who requested certification that they were not using child labor. That as many as 280 children were found is more an indication that despite the warnings of an exporter to his loom owners, the practice of employing children is intractable enough that many loom owners did not take the warning seriously until the inspectors shows up.

However, when children were found, particularly bonded child labor, the Rugmark program had not in its first year developed an adequate program for their removal and care. The practice was to report the child by name to the New Delhi office, which then reported to the child welfare NGOs on the Rugmark board, who then informed their field staff in the Varanasi region, who then went to the loom site to rescue the children. By the time the information made this circuitous route, the children, in most instances, were gone.

There were several reasons for this lacuna. The inspectors were not specialists in rehabilitation or rescue. They had no legal warrant to remove children without parental or police permission, and their job was to inspect as many sites as possible in order to determine the situation. In the interest of maintaining strict control over facts, so that they might not be misused for mischievous purposes, their instructions were to report their findings only to the Rugmark head office.

At the same time, the Rugmark Program had no funds with which to create rehabilitation programs, until the export of carpets had generated contributions from the importers, particularly in Germany. For that reason, although there was much talk about rehabilitation during the first year, no concrete plans were put in place except to integrate released children into educational programs in the region run by one of the Rugmark board members, Mr. Shamshad Khan, head of CREDA, the Committee for Rural Education and Development Action.

Finally, in the spring of 1996, as funds were beginning to become available to UNICEF India -- which has an active role in the Rugmark Program of rehabilitation -- it was decided to open a second wing of the program in the form of a rehabilitation center in the Varanasi region for children rescued by the Rugmark Program. That program, which will be patterned after the Mukti Ashram, which is run by the South Asian Coalition on Child Servitude in New Delhi, is now being set up by Rugmark and will be run by a separate wing of the Rugmark field staff, whose expertise and responsibility will be in rehabilitation.

Our final finding was the most important. This was that, more significant than the number of children found by Rugmark inspectors, in neighboring Behar State, where the largest number of non-local children come from to work in the U.P. carpet industry, a flood of children returning to their homes from the carpet belt has been reported since the beginning of this year.

Exact figures are not known. They are in the thousands. The flood or the tide is significant enough, however, that the Bihar government is reported to have established 50 new schools in the four districts responsible for the largest number of carpet children, and they have promised to establish another 200 schools before the end of the year.

It has long been the claim of the South Asian Coalition, which was instrumental in forming Rugmark, that rehabilitation programs belong in the catchment areas, not in the carpet belt, and that the responsibility for that belongs primarily and first with the governments rather than with private organizations.

What we are seeing now as an indirect result of the pressures that Rugmark and the attention to the carpet industry has brought, is that the government of Bihar, and at least verbally the government of Uttar Pradesh, has committed to deal with this problem by creating the educational facilities that the children who were being sold off into bonded slavery desperately need.

This has caused a change in the thinking in the Rugmark Foundation. Now it is common to speak of social investment rather than rehabilitation. Funds which are generated through the voluntary duties in importing countries are now being considered for a wider range of services and purposes than merely assisting those few individual children who are found in the program. If this thinking prevails, it's likely that Rugmark will be able to make a far more significant contribution to drying up the catchment areas in the years ahead.

These briefly are our findings. There is much to do in Rugmark, particularly in the United States where marketing is just getting underway, (and we are the second largest market in the world for hand-knotted carpets). There is much to do to expand the program in other producing countries, but I am here to tell you today the initiative is off to a good start. It has demonstrated its integrity. It has recognized its weaknesses and is moving creatively to remedy those, and finally and most important, it is contributing to an overall lessening of the incidence of child labor in an industry in India that has long had the reputation for being one of the worst abusers of children.

Thank you for the opportunity to present this testimony today.

MR. OTERO: Mr. Harvey, I remember clearly the humble beginnings of the Rugmark Initiative, and the considerable skepticism that surrounded your efforts. I remember very vividly the criticism that you suffered last year at the hearing. But we have been watching very carefully the developments of the Rugmark campaign. And at the risk of being accused by the media of stealing a line, you have come a long way, Rugmark, paraphrasing that slogan. But I want to congratulate you in particular, and your institution, because you have been in the forefront of this effort. And we hope to continue working with you in making this program work not only in India but expanding it to a number of other countries; Nepal, who is already on board, and making it possible in Pakistan.

MR. HARVEY: Thank you very much. I want to say that the public encouragement that Secretary Reich gave to the Rugmark Initiative at the ILO conference earlier this month was one

of the most important things that could happen in dealing with this credibility problem. Lending the weight of the United States Government behind this kind of initiative is critical to its achieving the goals that it set for itself, and we are very grateful.

MR. OTERO: Thank you.

MR. SAMET: I only wanted to say that I also remembered the gentle way you felt it necessary last year to respond to the suggestion that Rugmark was a sham by the president of the American Oriental Rug Importers Association. I want to thank you for the detailed statement you have said today, and perhaps you might take it as a backhand form of recognition that he has chosen not to appear today at this hearing.

MR. HARVEY: Let me just add another footnote.

MR. SAMET: Okay.

MR. HARVEY: We have recently had another conversation, and although I am not saying this with his permission, he has indicated that his attitude towards Rugmark have softened quite considerably in the last year. While he is not ready to endorse it formally, he is ready to dialogue with it in a more serious way than before, and we are very pleased at that development.

MR. SAMET: Congratulations for the progress.

MR. OTERO: Sonia?

MS. ROSEN: Now that these two gentleman have finished with their niceties, I want to ask you a real question.

MR. HARVEY: Okay.

(Laughter.)

MR. HARVEY: I knew you would.

MS. ROSEN: About the rehabilitation programs, I am a little confused and hope that perhaps you can shed some light on what is the role at this point of UNICEF, particularly in Rugmark India, where I know that UNICEF, I believe, sits on the board, and where the monies, according to the documentation of the Rugmark Foundation, are to go for whether it's social investment, rehabilitation, whatever you call it. Could you describe a little bit more what their role is in these programs?

MR. HARVEY: Right. Well, first, UNICEF India does sit on the board of directors of the program and carries the specific responsibility for overseeing the development of rehabilitation programs. Mr. Richard Young, the officer in charge of development programs in UNICEF India, is a Rugmark board member.

Second, UNICEF Germany has become the repository of contributions from German importers. The transferring of those funds has been held up until quite recently by the fact that the Rugmark Foundation newly established in Germany, that now holds the trademark, had not established a formal contract with the importers for that contribution to be made possible. And until those contracts could be formalized the importers were hesitant to turn over contributions to anybody.

Now that that has been formalized in the last month or so, I understand that funds have flowed from the importing companies to UNICEF Germany for direct transmission to UNICEF India. A committee was established in April by Rugmark which Richard Young chairs, to develop the program. And it had been decided at the time we were there that that program would start with a residential facility for a certain number of children, the scope to be decided as the funds became available, that would be both a demonstration project in the carpet belt, but would also be a visible sign of Rugmark's concern for the children.

Then, if the funds are sufficient, the efforts will not be limited simply to that demonstration school, but will focus on adult education in the catchment areas, children's education in the catchment areas, incentive programs for development in those catchment areas, to try to dry up the supply of children as well.

MR. OTERO: Okay. Well, thank you very much, Mr. Harvey.

MR. HARVEY: Thank you.

MR. OTERO: Thank you very much for being here. Before I call on the next presenter let me announce that we are about 65 percent through this hearing, and we have approximately eight or nine other presenters. It is the decision of the chair to continue with the hearing until completion without stopping for lunch because some of you have indicated that you have planes to catch this afternoon. So if we stop for lunch, it would make it impossible for us to help you with meeting your travel schedules.

I would like to say for those of you who may be suffering from hunger pangs that we have an excellent cafeteria on the sixth floor. And although I am not suggesting that all of you leave at the same time, if any of you wishes to go to the cafeteria, is open to the public. It is excellent food. In fact, Secretary Reich and all of us eat there all the time, and we are still alive. But in any event, I want to extend that opportunity to each and every one of you who may be in need of nourishment. I believe that we can continue with the hearing and perhaps conclude it perhaps in the next hour, and 15 minutes or so.

I now would like to call the next presenter, Mr. Tom Cove, who is Vice President for Governmental Relations of the Sporting Goods Manufacturers Association. Welcome, Mr. Cove.

MR. COVE: Thank you. I have heard of appearing just before lunch but appearing just before the endorsement of the cafeteria is a whole new element to me.

(Laughter.)

Thank you for the opportunity to appear today to discuss this critically important subject. I am Thomas Cove, Vice President of Government Relations for the Sporting Goods Manufacturers Association. I appear today representing the Soccer Industry Council of America, what we call SICA.

SICA is the national trade association of manufacturers and distributors of branded soccer apparel, footwear and equipment. Organized in 1985, the council represents more than 100 companies, ranging from soccer specialists to general team sports suppliers. The council is a specialized standing committee of the Sporting Goods Manufacturers Association, the trade association for North American producers and distributors of all athletic apparel, footwear and sporting goods equipment.

We welcome this discussion and look forward to participating constructively in the process. We believe our experience in addressing the issue of exploitative child labor in Pakistani soccer ball production can offer useful insights as to how American industry can play a leadership role to stem this problem.

Two points at the outside to frame my remarks.

First, along with everyone else in this room, the members of the U.S. soccer industry abhors the exploitation of children, whether in the work place or any other aspect of their lives. And, secondly, the U.S. soccer industry has taken unprecedented steps to address the issue of child labor in a conscientious and responsible manner and is committed to eliminating any possibility that children will be exploited in the production of soccer balls.

When allegations of child labor in soccer ball assembly in Pakistan came to the attention of the U.S. soccer industry, the Soccer Industry Council of America moved quickly and decisively to assess the situation and determine what response should be taken. Representatives of several companies traveled to the region. At the same time the industry established a task force on global manufacturing practices to organize research and develop recommendations for joint action for the entire industry to take.

The SICA task force represents a significant attempt by an industry in the United States to address a human rights issue arising out of the globalization of international trade. To advance its work, the task force retained the services of a noted human rights professional and professor of human rights and business ethics at Columbia University to advise us on how to proceed.

The task force has also worked closely with international agencies such as UNICEF and the ILO's Child Labor Program, and has reached out to nongovernmental organizations operating in Pakistan, including, for example, Save the Children and the Human Rights Commission of Pakistan.

One of the first steps we decided to take was to investigate the situation in Pakistan. Despite the extensive coverage of the child labor issue in newspaper and on television reports over the past year, we were surprised by the absence of a serious inquiry into the issue. No one could answer such basic questions as: How common is child labor? What percentage of soccer

ball stitchers are children? Do child stitchers work at home with their parents or outside the home? Why do children work? What steps might be taken to encourage them or the families to send them to school instead of to work? And importantly, under what conditions do children work?

We were surprised to discover only one report that purported to examine the scope and extent of child labor in soccer ball production in any disciplined or quantitative manner. That report was published in 1995 by the Human Rights Commission of Pakistan, a highly regarded Pakistani nongovernmental organization whose research has been cited by the Department of Labor. In fact, the Secretary just mentioned it in his remarks this morning.

The HRCP investigative team conducted an extensive survey of villages surrounding Sialkot, the center of Pakistan's sporting goods industry. I would like to submit a copy of the report for the record if I might, if you need it. And I would just like to touch a little bit on that report and then what we did to understand how we might use that.

The task force was concerned, deeply concerned, by the disparity of the results reported by the HRCP and the sensational reports of exploitation of children that have surfaced in the press in this country over the past few months.

Consequently, the task force identified a highly regarded research organization in Pakistan to perform another independent investigation. The organization selected, Raasta Development Consultants, has worked for UNICEF and other international organizations and has extensive experience working on children's issues.

Raasta Consultants designed and implemented what we believe is the most comprehensive research study to date, examining the role of children in the soccer ball industry in Pakistan. Their research teams traveled to more than 80 villages in the Sialkot area, and interviewed hundreds of children and families. And, again, I would like to submit for the record the entire report. It's quite long -- it's about 50 - 60 pages, but we have submitted it for the record as it stands.

The similarities between the Raasta report and the findings of the HRCP research are impressive, and we believe a testament to the rigor of their research techniques and the seriousness of the inquiries.

With your permission, I would just like to set forth several conclusions of both Raasta and HRCP so that we may, before we discuss how to respond to the child labor situation in Pakistan, we can agree on what the conditions really are, and I will go through quickly several of the findings that are reflected in both HRCP and Raasta.

First, soccer ball stitching has become a cottage industry in Pakistan. Stitching generally does not take place in factories, but in villages and rural communities surround Sialkot.

Second, the vast majority of soccer balls in Pakistan are stitched by workers over the age of 14, the generally accepted minimum age of work according to ILO's Convention 138. The

extent of workers under 14 is difficult to determine, but serious estimates range between 10 and 25 percent. I should emphasize that there is no credible research that suggests that children under 14 constitute more than 25 percent of the stitching work force.

Most children who work stitching balls, more than half, according to the Raasta report, work in their own homes, often working to help their parents and other family members.

Four, the soccer industry does not seek out child labor and does not compensate child stitchers differently than their adult counterparts. Both HRCF and Raasta concluded that children and adults receive the same pay for the same work.

Five, there is no credible evidence to support allegations that physical punishment of child stitchers is a regular or systemic feature of the stitching industry. Neither HRCF nor Raasta reported any evidence, or even reports of physical abuse by children who stitch or by their families on behalf of their children. Of course, and I want to emphasize this, this does not mean that abuse does not take place or never takes place. But we believe these findings place the sensationalized press reports into a more truthful context.

There is no credible evidence to support allegations of bonded, forced or slave labor in the stitching of soccer balls. Both HRCF and Raasta determined that stitchers occasionally receive cash advances for work not yet performed, but that this practice does not, and I repeat, does not constitute bonded labor. and I would refer to Secretary Reich referencing this report itself, the HRCF report. And let me just quote on line, because it's very clear.

"The amounts advanced are not so high that workers are not able to pay them off and become bonded as is the case in some industries such as brick kilns." Further quoting, "No evidence of bonded labor was available." And that's the HRCF report.

And then finally, there is no credible evidence to support allegations that children under 14 work in the soccer ball manufacturing facilities rather than stitching areas in Sialkot. Again, both Raasta and HRCF agree.

I appreciate being able to go through this. I believe these facts provide a useful common ground examining the situation of child labor in Pakistan, as well as the soccer industry's response to it. Sadly, as you can see, there remains a great deal of misinformation about the problem of child labor in soccer. In our view, this is a terrible situation that we hope this hearing will begin to correct because we fear a misguided focus may sidetrack legitimate efforts to institute sustainable solutions to the problem of exploitative child labor in Pakistan.

The U.S. soccer industry is determined to move beyond sensationalism or public posturing. We are focusing on finding answers to solve the question of how to ensure that exploitation of children in the production of soccer balls is ended, while ensuring that currently employed children are in fact beneficiaries and not victims of these transitions.

Let me be clear as I move into what we are doing and move beyond what we found. The findings of our research establish that children do work in soccer ball stitching, and that some

children who stitch may face possible exploitation. Concern over this risk has led SICA to articulate three commitments on the issue of child labor in soccer ball assembly which we have stated publicly, and let me go through them. This is what we stand behind about what we are going to do.

One, the U.S. soccer industry is committed to revising manufacturing practices by its business partners in Pakistan to eliminate the subcontracting of stitching which, as you know, is the avenue by which children improperly enter the industry work force.

Two, the U.S. soccer industry is committed to working with the government of Pakistan and internationally respected nongovernmental organizations in Pakistan to promote educational opportunities for children and to ensure that children no longer involved in stitching soccer balls do not simply move to other, more hazardous forms of employment.

And, three, the U.S. soccer industry is committed to exploring the development of a monitoring program to ensure that so long as subcontracting continues, facilities are inspected for the presence of any children working.

SICA-member companies have already begun to work with Pakistani manufacturers and subcontractors to develop programs to reduce the likelihood that children will be permitted to stitch soccer balls. It's been mentioned several times already today, for example, that both Nike and Reebok have publicly announced programs designed to ensure that no children will be involved in any aspect of the stitching of soccer balls.

These programs represent fundamental changes in these companies' production processes. Several other SICA-member companies are in negotiations with their Pakistani suppliers and licensees to institute similar programs. All SICA-member companies are committed to policies designed to ensure that children are not exploited in the production of soccer balls. At the same time the task force has initiated and is continuing discussions, with Pakistani manufacturers, with the government of Pakistan, and with internationally respected nongovernmental organizations to build partnerships that promote education opportunities and training of children.

As numerous experts have concluded, child labor in Pakistan is a symptom of serious social and economic challenges -- rampant poverty, inadequate educational opportunities and cultural attitudes concerning these responsibilities of family members, to name only three. Industry alone cannot alleviate the conditions that give rise to child labor. The practice will end only when all institutions and Pakistani society acknowledge that a problem exists and work together to solve it.

We are here today to say that the U.S. soccer industry is committed to work with other institutions in Pakistan, to become part of the solution to exploitative child labor impact in Pakistan. More than any other industry we believe, and certainly more than any other segment of the foreign business community, the SICA task force and its members have taken the first steps down a long path. Working with our partners in Pakistan, we believe this initiative will ultimately result in significant changes in business practices and in significant reductions in the participation of children who stitch soccer balls instead of attending school.

I appreciate the opportunity to come here and represent the soccer industry's position on this important subject.

MR. OTERO: Thank you, Mr. Cove. We sincerely welcome your offer to make available to us both the HRCF report and the Raasta report. We will appreciate if you can deliver it to us, or send it to us at your convenience.

MR. COVE: It's already here. Someone on your staff has received it.

MR. OTERO: Very well. And I would like to commend you and your institution on the three commitments that you have made to try to put some control on the question of child labor, and we will be watching and working to help you make sure that those three commitments bring about the result.

I only have one comment to make about your statement, and it is not intended to be a criticism of what you have said. But from my perspective, even if the Raasta report's findings determine that only 10 to 25 percent of the children working are under 14, I still find that outrageous. I know it's difficult to quantify how many children are working in this country. I know how difficult it is to gather statistics. But so long as there is one child in the world being exploited in that manner we have to rebel against that kind of a thing.

MR. COVE: We would absolutely agree with that assessment.

MR. OTERO: So I want to encourage you and your organization to continue working in the direction of trying to help us eliminate this practice which is, as you know, attracting a lot of attention around the world.

MR. SAMET: I would just add my appreciation, as Jack indicated, for your participation in this effort. As the Secretary indicated, we very much want to work constructively with your association and are prepared to be involved in the process, if we can do that on a cooperative basis as we move forward. Again, we want to commend Reebok and Nike, two members of your association, for their leadership on this, and we hope that others are going to follow that as quickly as possible.

MR. OTERO: Thank you, Mr. Cove. Now you can go to the cafeteria.

(Laughter.)

MR. OTERO: Thank you very much. I would like to call an old friend and associate of many years, Linda Golodner, who is the president of the National Consumers League, and co-chair of Child Labor Coalition. Linda has been working on this issue for many more years that I care to say. Otherwise I will reveal how old I am. But welcome, Linda.

MS. GOLODNER: Thank you very much, Mr. Chairman. And I want to thank your staff. I am Linda Golodner. I am President of the National Consumers League and co-chair of the Child Labor Coalition, and I am pleased to have the opportunity to testify on how consumers

are working to eliminate the use of child labor in the production of goods which are imported into the United States. I want to personally thank you and your staff, the Secretary and the Department. It is really refreshing to work with leadership like yours that have a commitment to ending child labor here and abroad.

The National Consumers League is a nonprofit membership organization which was established on the principle that consumers care about the conditions under which products are manufactured. For nearly 100 years, the League has spoken for consumers who demand the elimination of child labor exploitation and sweatshops.

In response to an escalating child labor problem in the U.S. and overseas, the League helped establish, in 1989, the Child Labor Coalition. The Coalition educates, motivates and initiates action on domestic and international child labor. More than 45 organizations are members, representing educators, health professionals, consumer groups, organized labor, as well as women's and religious groups, human rights organizations and child advocacy groups.

Consumer outreach is a primary objective of the League and of the Coalition, and we are convinced that consumers can significantly influence retailers, manufacturers, industries and governments to improve working conditions here at home and throughout the world.

Every year the National Consumers League has a membership survey that we take to our own members. This year we asked, "Would you refuse to buy products from a company if you knew the company profits were from sweatshop labor?" 81 percent of our members strongly agreed.

We also asked our members if they would like to see child labor-free labels on imported items. Eighty-four percent responded positively.

Surveys aside, every day we are reminded of the consumers who want to do the right thing when they shop. And in my written statement I have included three letters which are representative of the hundreds of calls and letters we received over the last 18 months. These letters and others express outrage over sweatshops and child labor. Consumers are rejecting excuses and demanding responsible corporate behavior.

Consumers ask us for guidance on what they can do. We are asked for lists of companies and retailers to avoid because they buy from sweatshops. We are also asked for lists of companies that do not sell products made in sweatshops or by children. We are asked by consumers to tell them something so that they can make a wise choice in the marketplace.

Consumers are sickened by images of children who are barely kept alive, worked to death, and beaten if they cry for their parents, or even killed if they try to escape. This is why the Rugmark is such a welcome label for consumers. It's a label that assures consumers that the manufacturer of a carpet has met stringent requirements to assure that no child labor was used.

And as my co-chair of the Child Labor Coalition, Pharis Harvey, testified, the label is credible, and the inspection and monitoring process is well in place.

How wonderful it is for consumers to be able to buy a product with this assurance. Or I should say, it's wonderful for German consumers who have seen more than 220,000 Rugmark carpets imported into their country. We have made repeated appeals to U.S. importers and retailers to likewise commit to the Rugmark initiative. A few have responded. We are pleased to report that two major importers and a mail order company are in the process of making Rugmark carpets available to American consumers in the very near future.

As American importers and retailers slowly respond, consumer demand for Rugmark carpets is increasing. In a very short time activists around the country have collected more than 15,000 signatures, and these are signatures and petitions that are from every state in the nation; 15,000 of them; people who say that they want to buy carpets that have the Rugmark label on them.

We say to importers and retailers "Look at these petitions. Many consumers want child labor-free carpets. They are willing to buy carpets and they want to buy them with the Rugmark label."

As the demand increases, it's imperative that consumers gain access to Rugmark carpets. Towards this end, we have developed a strong network of community-based consumer activists. Two of our strongest allies are the General Federation of Women's Clubs with more than 250,000 members, and the United Methodist Women, with more than 990,000 members. These national organizations with grass roots capabilities have committed their resources and energy to the Rugmark campaign this year.

Very soon legends of women's activists will be contacting carpet retailers with these postcards. We just got them off the press this morning, and they will be distributed to all of these women who will be working with these organizations. They are going to encourage retailers to carry the Rugmark carpets, to identify retailer-perceived barriers to supporting Rugmark, and making available Rugmark informational materials to them, and to gather information on where Rugmark carpets are available so that people around the United States will know where they can buy them.

What are the expected results? First, we want a national database to link these retailers with consumers who wish to purchase a Rugmark carpet; and, second, we want additional retailers to decide to carry that carpet.

The good news is that there is a Rugmark label for consumers, and the bad news is that it is the exception. For the many other products in the marketplace consumers have no information from which to make an informed purchasing decision. Most often they are left with little choice but to participate in this exploitation of workers.

This is especially true in the garment industry where millions of workers in 70 countries produce clothing. We know that there are sweatshops worldwide, and even some here in the United States. We know that one of the abuses that defines sweatshops is child labor, and the Department's own reports show that child labor is prevalent in this industry.

In January, the National Consumers League and UNITE launched "Stop Sweatshops, A Partnership for Responsibility." This campaign which targets domestic and international sweatshops is supported by consumer, religious, women's, environmental, labor, social justice and public interest groups. Our combined outreach currently represents more than 50 million consumers and is expanding daily.

The campaign promotes stronger enforcement of laws which protect adults and children from exploitative labor and unsafe work places, both here in the U.S. and abroad. The campaign is about corporations accepting responsibility for the working conditions under which their products are made. It's about codes of conduct that have teeth in them, and the independent monitoring that is necessary for consumers to have so that they can have confidence in the companies that they are doing the right thing.

The bottom line is that consumers are searching for responsible retailers and manufacturers. We cannot have just nice sounding words and pretty sentiments. We want more than companies simply reacting to problems when they are uncovered. Consumers want corporations to agree to and set up independent monitoring of their contractors and subcontractors. We expect active and concerned corporation intervention to end this abuse.

I thank the Labor Department again for its attention to child labor exploitation. Your support for the International Labor Organization's IPEC program, your moral support of initiatives such as Rugmark, and your continuing research are commendable and very much appreciated.

MR. OTERO: Thank you, Ms. Golodner, Linda, since I know you so well. Could you elaborate on this idea that you put on the table about a national database linking consumers to retailers? How would that work?

MS. GOLODNER: We are collecting information from consumers who are going out into communities to talk to retailers. They will be reporting back to us to tell us who has agreed to carry Rugmark, when they do agree to carry it, so that we can let other consumers know where they can buy these carpets. We will tell the newspapers and the media about retailers that carry Rugmark so that people will be informed and have a choice.

MR. OTERO: This question of labeling, which is now beginning to expand rapidly, has attracted the attention of Congress, as you saw this morning. But aside from the proposed congressional initiatives that were outlined here this morning, we would like to invite the National Consumers League to share with the Department of Labor any other ideas that you may have on how can a labeling program, not only on this question of Rugmark or the soccer ball, but labeling in general pursuant to child labor, how can that be accomplished?

What other ideas could you put in the mix? We certainly want to invite people who are involved with the daily contact with consumers. Consumer's reaction is a very important aspect to this question. And so I would like to invite the National Consumers League to share with us now or in the future any other ideas or suggestions that you may have how this can be effectively accomplished.

MS. GOLODNER: I would like to develop with you some way to assure a label with integrity. As you know, in the early part of the century the National Consumers League did have a label on goods. --

MR. OTERO: Yes.

MS. GOLODNER: -- that were made not by child labor and not in exploitative conditions. And Eleanor Roosevelt, who was very much involved with the League at that time, was an independent monitor who would inspect factories. We want to make sure that there is independent monitoring, which assures the integrity of a label. We have to make sure that labels cannot be counterfeited, and I know that there are members of Congress who are considering legislation to prevent the defacing of labels.

There have to be resources to support a labeling program. I would assume that setting up an independent foundation, sanctioned by Congress, receiving funding, perhaps from a tariff or tax, would be one way to achieve that. But I would be glad to work with you on details.

MR. OTERO: Well, I am about to issue a paid political announcement here, because in my prior life, prior to coming to the Department of Labor, I was a member of the board of directors of the National Consumers League, something that I am very proud to have in my resume. And I want to specifically congratulate Linda Golodner for the work she has done all these years in this leadership of the NCL, propelling this institution to incredible heights and effectiveness. So I want to thank you very much for the role that you have played, and to stimulate you to, you know, right on. Keep them going.

MS. GOLODNER: Thank you.

MR. OTERO: Very well. The next presenter is Mr. Jeff Ballinger, representing Press for Change. Mr. Ballinger.

MR. BALLINGER: Thanks very much. Jeff Ballinger. Press for Change is a relatively new organization. It was founded three years ago to expose corporations operating abroad and taking undue advantage of governments in developing countries that don't protect their workers. And if I may, before I start my presentation, I would just like to share one anecdote.

A young activist in Indonesia told me well into this campaign, "We don't want advocacy. We want to be able to fight for our rights. We want to be able to have trade unions and bargain with these multinational corporations." I mention this because I agree wholeheartedly with him. I feel a little uncomfortable doing this kind of advocacy because these workers are struggling very hard to make conditions better themselves. But they really need the exposure, as Linda Golodner and others are working hard to do, to link the production practices to the consumers so that consumers are aware of what's going on, and they can make an informed choice, because these conditions can be awful at times.

The only way I think we are going to address this problem is if these companies realize that there is a price to be paid for going 12,000 miles away where they think nobody is watching.

In fact, I think recent events have shown that it can be a powerful disincentive for them to press wages or have their contractors press wages down way below a living wage. It's a capricious advantage at best.

Nike moved lots of its production of their lower end, lower priced shoes from South Korea and Taiwan in the mid 1980s, '86 - '87. Not coincidentally this is about the time that democratic change was coming to South Korea and Taiwan, where most of their shoes were produced from early 1970s through '86 and '87.

The places they chose to move this production to were primarily China and Indonesia. Again, not coincidentally, these are very corrupt authoritarian regimes where workers have no rights, and they really mirror the conditions under which Nike shoes were produced in South Korea and Taiwan prior to the democratic uprising in those countries.

I arrived in Indonesia in late 1987, beginning of 1988. I joined a softball team. And three guys on the team were from Nike. One of them asked me what I did, and I said "the American unions have me here to help the trade unions and the workers of Indonesia to try and get a better deal." And he narrowed his eyes, and he said, "I am your worst nightmare." I thought he was joking because I thought these factories were run by Americans.

As I learned about six months later, Nike doesn't make shoes in Indonesia. Taiwanese and South Korean contractors make shoes for them in Indonesia. We found out soon after doing a study that these shoe factories were actually the worst violators of the minimum wage, which in Indonesia at that time was 86 cents a day -- fifty-six percent of the poverty line, that is, the minimum physical needs of what one single adult needed to survive.

This was shocking. We continued to watch these shoe factories. I might point out that we found this out through extensive research we did on minimum wage compliance that was funded by Agency for International Development. We got a human rights grant from AID, and we surveyed over 3,000 workers in about 150 factories in 1988 and 1989, and found these shoe factories actually to be the worst.

We continued to watch them. And I am going to talk about monitoring, independent monitoring, but I am going to talk about codes of conduct in three phases. Nike's three phases were "pre-code," then "code of conduct," and then I will call it "code plus;" that is, code plus, their hiring of what they call independent monitors, an accounting firm named Ernst & Young.

But in the pre-code days, up until about 1992, they denied that it was their problem and, frankly, stated "Look, we are just buyers. Don't bother us with your complaints about what our contractors do."

Well, they soon found out that this wasn't going to wash, and the press started to beat them up on it, not in a concerted way but stories would trickle out in the regional press. I must point out that the Indonesian press was particularly harsh in their assessment. In 1991, there was a story with a banner headline. "World Shoe Giants Rape Worker Rights." Now, this was pretty aggressive reporting in Indonesia at the time. And I think it was justified from what I observed

of what was going on in these factories.

So we had a situation where Nike found this position of not taking responsibility for production practices to be untenable. So they came up with a code of conduct in 1992, about the same time as Levi Strauss & Company and other companies had codes of conduct.

It didn't really make a big difference in the production practices from my observation. The minimum wage had risen by 1992, to about 70 percent of a living wage, but it was being ignored by Nike's contractors.

At the time they were making lots of statements in their code of conduct to the press, saying that they were paying the best wages available in Indonesia. That was flatly wrong. Bata Shoes, a Canadian company producing cheap shoes for the Indonesian market was paying three times the minimum wage in 1992, when Nike was saying that they were a leader, that they were paying the best wages. So this is incontrovertible evidence that their code of conduct claims to be a "leader," and "not only doing what was required," was just a public relations campaign.

Through 1992 and 1993 strikes continued. There have always been strikes in these shoe factories. The management, I think, didn't feel like they were really reaching the rock bottom on wages until they drove workers to strike. Then they relaxed a little bit, and said, "Ah, we have reached rock bottom," and as I said, there was not even across-the-board compliance with the minimum wage, even though it was below the poverty line.

That changed in 1994 when Press for Change was founded, and I am not drawing a direct connection here, but we ran some ads in newspapers in Boston, in Los Angeles, and in Portland near where Nike is headquartered, drawing attention to a lot of the problems in these factories. And soon thereafter Nike hired an accounting firm, Ernst & Young, to monitor compliance with their code of conduct.

Very soon thereafter, on my next visit only months after they hired Ernst & Young I found that there was across-the-board compliance with the minimum wage, which was then up to about \$1.80 a day. Still below the poverty line, but I counted it as some sort of progress until I started interviewing workers away from the factory with people they trusted. The story these workers told was that in order to recapture their margins these shoe companies bumped up the production quotas and sped up production so that they could try and recapture what they felt was an unrealistic demand on Nike's part for them to pay the minimum wage because, frankly, they pay huge bribes to operate in a place like Indonesia and not worry about things like the minimum wage.

So they were resistant, and they complained publicly, Nike's contractors, about having to pay this minimum wage and being forced to, since this was backed up by the inspections done by Nike's Ernst & Young accounting audits.

This was the situation: we may not actually have done these workers any favor because the conditions became more oppressive in these factories. They are working faster. You work faster, you make mistakes, and you make mistakes, you might get slapped or punished, physically

punished. So to get these workers 40 or 50 more cents a day, they might actually have been better off with the previous conditions.

It's been a long struggle, and I must point out again that these workers had risked a great deal to take on this company. There are scores of workers who have been fired. There is one case now before the Supreme Court in Indonesia. They have won -- these workers working in a Nike contractor had won at every level of the labor courts in Indonesia. The Minister of Manpower overturned the decision on his own -- he didn't really have to explain why. He clearly did it to help the Korean contractor. But then an administrative court overruled him, throwing it to the Supreme Court in Indonesia.

This is an embarrassment, frankly. Nike has to see to it that their contractors settle these cases. These workers who are fired are then interrogated by the military and police. They are at some risk, as you know, in a place like Indonesia. So I think it incumbent upon the company to settle these things, and that's where we are now, this third phase of "codes plus," this so-called independent monitoring.

I call it so-called because it's the sanitized version that's given to the press or any human rights groups that question Nike about it. We don't get to see -- it's proprietary information. Ernst & Young is not going to give it to us. So we have to depend on what Nike's public relations department trickles out, which really amounts to nothing more than a best practices list of what's going on in these different contractors.

We will soon have word back from a couple of meetings that have occurred at Nike headquarters last Friday, just a week ago today. A member of the Portland school board, who had criticized a gift Nike had made to the Portland schools, got a meeting with Phil Knight, and some of his top people, because he said the Portland schools should refuse money; that their kids in Portland shouldn't benefit from the sweat of kids in Asia. That was the way he put it. Courageous member of the Portland community, the way their schools are hurting... to refuse a half a million dollars takes some courage and determination.

Nike, I believe, is meeting with a member of Informed Investors, another group that is trying to talk some sense to this company, to say, "look, we are not talking about a huge difference in your operations." The cost of these shoes is about \$1.65 per pair for a \$70 pair of shoes. To pay a living wage would make it maybe \$2.20 or \$2.30 a pair. So clearly they have got the money to make a shoe in a less exploitative way, and I think they can. They can see the light here if enough consumer pressure is generated, and that's just coming on line now, I think, with a lot of the attention that these companies are now receiving.

I want to just wrap up with a remark that one Nike official made on a CBS broadcast a couple of years ago when he was confronted with the fact that Bata Shoes, producing cheap shoes for the Indonesian market, was paying workers three times the minimum wage in Indonesia, he said, "Oh, that can't be right." He said, "Simple economics tells you that this can't be the case."

Well, I think "simple economics" according to Nike means that there is no other way to

operate except to squeeze the workers and the wage rates to the lowest level. That is their "simple economics." I think simple justice demands that they find another way to operate.

I would like to just endorse everything that's been said by Ann Knipper and David Schilling and Linda Golodner about independent monitoring. I won't repeat any of their assessments of codes of conduct.

I would like to thank you and the Secretary very much for being ahead of the curve on this issue. When the media caught Kathy Lee and there was this great media feeding frenzy, you all didn't have to hustle to get to the head of the parade. You knew all the players, and you have been watching these issues for a long time. I commend you and it makes me feel proud of the organization, of the Department of Labor. I think we do some good work abroad. In some cases, AID is much better in Indonesia than in other places, but it's been a pleasure to be able to work with some of your people and to work in this field where I think we are about to turn a corner very soon.

MR. OTERO: Thank you, Mr. Ballinger. I would like to ask Mr. Samet if he has any questions.

MR. SAMET: Thank you. Well, thank you for your very complete and powerful testimony. I would like to ask you to explore just a little bit more the reasons you think that Bata Shoes is in a position to, in your judgment, perform in a different way than a contractor such as Nike's in Indonesia, if you can provide any more thoughts about that.

MR. BALLINGER: You want me to spill the beans, huh? Well, as it so happens a couple of years ago I met the Indonesian managing director of Bata. You have to have an Indonesia partner to operate there. It's a Canadian company but I met their Indonesian counterpart. I commended him on their practices of treating workers very well. And he said to me, "Oh, you are much too hard on those big shoe companies. You know," he says, "we have a protected market in Indonesia." So that was his explanation. His explanation was since they had no competition they had virtually a lock on the market in Indonesia. That's how he explained that he could pay decent wages.

But I might add that within a year, Bata was starting to produce for the big guys a few lines here and there, and they had a two-tiered wage structure. The people making expensive shoes for export to the United States were paid much less, and had much worse conditions, were considered temporary employees against Indonesia law. They are supposed to be a permanent employee after three months.

So I can't help but think that the Bata guy was thinking down the road a little bit when he told me I was being a little too hard on the big shoe companies. But that's the explanation. I have never told it publicly before. Gives Nike an out, but I really think all the cards have got to be put on the table at some time, and that's just what I am hoping happens.

MR. SAMET: One more question if I could. Obviously we at the Department of Labor, particularly in our Bureau, are very familiar with a lot of the problems with regard to labor law

enforcement in Indonesia. But specifically with regard to the child labor issue and the testimony you are giving, can you provide any information about the relationship of child labor to the footwear industry?

MR. BALLINGER: I don't observe personally much participation in the organized, formal, for-export garment and footwear industries of children under the age of 14. It's just not happening. I mean, it's a little bit, some of my researchers say it's out there. But for me to chase it down and to spend the time and really document it, it's such a vile accusation that it would take a lot of research.

I don't go after it that assiduously. But I must say that when you are paying adults less than the poverty line you are creating child labor. This is the problem. You have to give adults a living wage for them, and maybe at least one dependent, and then we can move towards a world where children aren't in the informal sector or the formal sector in the work force.

MR. SAMET: Thank you.

MR. OTERO: Sonia?

MS. ROSEN: Just one quick question. You may just want to think about it. Since you do think about Nike a lot and Indonesia, one of the recommendations you have given us today is that the monitoring procedures should be made public, whether it's by Ernst & Young or any other group. But I was wondering whether you have any other suggestions or recommendations regarding codes of conduct, specifically in this case because it's the one that you know about the best?

MR. BALLINGER: Yes. I would say my observation is that what drives the issue of codes of conduct is the field research. The more people that are bringing research in from the field -- and it doesn't have to be extensive, it's really just a matter of talking to 300 -400 workers over a couple of week period from one or two factories -- and you can get a good picture of what's going on. That is my observation, is to get the codes of conduct out of the bureaucratic mode of discussion and take it to the field with some of these NGOs that are already active in countries like Indonesia. They know what's going on, and they can help you do the research on factories.

I think that when you get some of the stories that are coming out of these factories, that's what really gets the corporations that are manufacturing or having goods manufactured out there worried about trying to fix things.

MR. OTERO: Just one final question. I noticed that the thrust of your presentation today was centered on one country.

MR. BALLINGER: Yes.

MR. OTERO: Indonesia. Is Press for Change doing any other kind of investigatory work in other parts of the world?

MR. BALLINGER: No. Our strategy is to take one company operating in one country at a time, and maybe next year, if we can put this Nike thing to rest, we will be working on Mattel in Thailand, or Magnavox in Malaysia or some other thing. But it's that kind of campaign where we just kind of focus.

I think, since I have an eight year history of monitoring this, that it gives the company a lot less "wiggle room." We will see if it works. If it does, we will be on another case.

MR. OTERO: Well, congratulations to you and to Press for Change, and I thank you very much for sharing with us your very interesting findings.

MR. BALLINGER: You are quite welcome. Thank you for the opportunity.

MR. OTERO: Thank you very much. The next presenter is the Reverend Dan McCurry from the *Foul Ball* Campaign, and also he is associated with the International Labor Rights Fund. Welcome, Reverend McCurry. I saw you this morning at the press conference. Welcome.

REVEREND MCCURRY: Thank you, Mr. Otero. I appreciate the opportunity to be here, Mr. Samet and Ms. Rosen, to apologize, first of all, for the delay that we are experiencing in this schedule. It was because of the power we were having in our kick off this morning that we are now suffering the pangs of hunger this afternoon. So I take it all on myself. All your stomachs are growling because of me.

For that, I will shorten my testimony. That's right, Sonia, I will shorten my testimony and submit others for the record, and make just a few brief comments.

The comment I want to make, first of all, is to thank all of you for your part in the production of the reports that you have made, as an historian. Documenting child labor abuses around the world is so important for us to say to the next generation: "Yes, we cared, here is the way we cared and here is why groups around the world care as well." And it's that caring that makes me want to focus my brief comments on *Foul Ball*, because I came to this from an American perspective. I came to this as a soccer uncle who spends three hours every other day, and six hours on Saturday watching children play ball, experiencing the ethic of the sport which said "Everyone plays, anyone can play, be they handicapped going to the Special Olympics, or perhaps the opportunity to go to the regular Olympics."

When you look at the contradiction between the lessons trying to be taught to American youth in this country by this very special sport, and the reality of the production of not just the balls, but other material around the world, you have got to ask some very serious questions about how an industry which has made millions off of children can also turn around and try to teach our children about fair play and justice. And we have all been caught in a situation that's now being revealed with the power that you saw this morning. People are just saying "I am mad as hell. We have been fooled. And we can't take it anymore."

And the gist of the response that you saw this morning, that you are going to see around the country, is from soccer parents like my sister, who spends even longer hours out than I do,

who now must tell their children, "Hey, kids, the soccer industry operates on different rules than what they have been teaching us to operate from."

And it's that base that makes me feel certain that within a few years we will be able to eliminate soccer balls made by kids from the entire industry.

A couple of question on the SICA report. But before that I'll describe briefly what a stitcher does. Six months ago the industry would have denied this picture ever existed of a child-made soccer ball. Two years ago they would have said we didn't know what we were talking about. Now the news is beginning to carry more and more pictures of kids stitching soccer balls.

I asked someone who just returned from Sialkot to describe to me what it meant. He said, "Look, you sit in the dirt, you have two wooden paddles you clinch between your knees. In those two wooden paddles you then put one of the small 39 pieces of leather. You take a large needle -- or naugahyde -- and you stitch tiny holes through that. Your fingers cramp up. You get carpal tunnel syndrome as we call it in this country. You are a human sewing machine for hour after hour each day."

So I said, "And what's the rest of the day? What do they eat?"

He laughed at me. He said, "Your question reminds me of the old story: a rich man eats when he wants to, a poor man eats when he can." What will they have, these children? These children who are around Sialkot produced 35 million soccer balls last year. That's the total number coming out of Sialkot, 35 million. The 20 percent figure that we heard today, 25 percent, figure it. Twenty-five percent of the children making soccer balls.

Your question earlier, Mr. Otero, let's say it's five million come to the United States. Twenty-five percent of that coming from kids. Do you own division. That's thousands, tens of thousands of children that are supplying the U.S. soccer market right now. That's the tens of thousands of children we intend to put into education and to other rehabilitation programs.

"So what do these children eat?" according to this one witness. He said, "Well, perhaps some bread each day. Perhaps some hot peppers to go on that bread, and some salt. And maybe if they are lucky some buttermilk once a week," because, of course, there is no electricity in these villages, in these huts. A hut is one room, as the Pakistani census of the last decade said, one room with six family members per hut.

That's the situation in which the companies have been exploiting Pakistani children for now almost three generations of generation after generation cycle.

The industry talks about children and adults receiving the same pay for the same work. It's phenomenal, its like they did a study on men and women, and said they have the same pay for the same work. We would know that there was something wrong with that. I know from the witnesses I have talked to coming back from Pakistan there is something wrong with the notion of saying that children and adults receive the same pay for the same work. Children will

be doing different kinds of tasks, perhaps on cheaper balls, different kinds of balls. But the pay will not be the same. The adults will have more power. The children less. And that is why the industry has continued to recruit children as the expansion of this industry has gone on.

The question of "peshgi" or bonded labor is much more complicated than the speaker was talking about earlier. Peshgi is part of a cultural phenomenon which they will encounter even as they push those stitches into the stitching sheds of Sialkot. It will not be rooted out simply by a company, and bless them for trying, and saying that this is one political mechanism that we are going to try to avoid.

Regarding educational opportunities, how is it possible for us to contemplate the notion that a nation like Pakistan, which spends less than 2 percent of its annual budget on education, to suddenly pour lots of money into new schools for ball stitchers? How is it possible that just last Sunday about 100 miles from Sialkot a thousand Pakistani troops surrounded some protestors because the new austerity budget of the Pakistani government was pinching too hard? Six were killed, nine were injured last Sunday in Pakistan by other people saying the budget was too low.

That government responded in this way, and that government now wants to tell us that because of our protests and highlighting of this problem they are going to spend lots more money educating children who make soccer balls? It's an impossible situation to believe and we should not depend upon that government alone to provide any educational and health responsibilities for these children.

Had we had more time this morning one of the gentlemen who was supposed to come and talk was a young man, 10 years old, Atharad Ahmad. Atharad Ahmad's mother had been born in Sialkot. His uncles and aunts had been born in Sialkot. He had been there several times. He said, "Dan, what I want to tell them is that I have danced with the children who have been liberated from peshgi in Sialkot." That's why we sing and dance in the *Foul Ball* movement. We understand that for children to have the opportunity for education before them is a great and joyous experience. We will be watching carefully to see that any company that claims to have taken children out of its business. We will make sure that those children receive the education to break this cycle of poverty which they have kept them in, and to break the educational and health problems that these children have from hour and day upon day, scrunched up with their knees clinched, making soccer balls for us for 60 cents a ball.

The credibility of the Pakistani government is seriously to be questioned as it talks about moving. But it's a job of *Foul Ball* to make sure that the children do become educated. That's why we talked about going school to school, village to village, town to town, as we link schools and villages in Pakistan with schools and villages in this country so that as the changes occur friendships will be formed -- as we saw this morning with the children who were out there -- between us and the children of Pakistan.

But not just Pakistan is the question. If you will look at statistics, China is also a major producer of soccer balls, and Indonesia. Our material now in a person-to-person way we will be distributing in Spanish. Because tens of millions of people have a passion for soccer football that explodes all over the screens and in games, we will be communicating in Spanish. We will

be communicating in Urdu as *Foul Ball* reaches out. When we touch on Indonesia, we will be communicating in Dutch, as this is a people-to-people program where we will depend upon the U.S. Government to play the appropriate role. We will depend upon the Congress and the companies to do what they can.

But we know that companies that have taken this long to recognize a problem, and up until a year ago denied it existed, we know that a government which seems sometimes to focus on many different concerns, as well meaning as it can, cannot focus its attention on just one issue. It will be up to the people of the country to say, "No, we know what's continuing to go on in the Pakistans, and the Chinas and the Indonesias, the Brazils, the Mexicos, the Californias of this country, and we will no longer forget the children that are too easily forgotten."

I think I want to stop here and deal with your questions.

MR. OTERO: Thank you very much, Reverend McCurry. Just let me ask you a question. I have six grandchildren, four of whom play soccer. And I can tell you that as soon as this hearing is over I am going to get a telephone call or telephone calls from my daughters and sons and saying, "Okay, so if we cannot get our kids soccer balls made in Pakistan, Indonesia, or China, what soccer balls can we buy that are not made with child labor?"

And I am sure that the Department of Labor now is going to be swamped by calls from consumers. What do we tell them?

REVEREND MCCURRY: Mr. Otero, from the best of our research I cannot tell you that any soccer ball on the market today anywhere in the world can be said not to be made by child labor. Some countries that produce soccer balls are so closed we don't know how they are being made. In most countries the use of children is so pervasive in outlying villages that you can be certain that some child labor is used in some production out there.

We are just beginning to do the research, but right now I have nothing good to tell your grandchildren except the announcements made this morning by the two companies that are finally acknowledging publicly what they have been denying for two decades; that we must do something about children and soccer balls. You tell them that.

Come Christmas time, come buying time, we will be able to have a campaign that says, yes, there may well be a guaranteed adult-made soccer ball on the market. And if there is, then we will publicize that highly for your buying season and the other folks as well.

The other question to tell your kids is to focus on the International Federation of Football Associations. Our goal is to make certain that that symbol is a symbol of integrity, and it will be on most of the balls with which they will be playing in official tournaments.

Say to them, "Yes, we can't give you a non-child made ball now." But a year from now if these kids get out and push the companies that are making the balls still with children, you tell them that. You give them this handout sheet where I list the 800 phone numbers of the top six soccer ball companies in the United States. You say, "Call up those companies," and you say

to these children to say to these presidents and CEOs "We are tired of not having a choice. We want to have a ball made by an adult."

If those people get as many calls as you get on this issue, you can better believe that that young consuming market will get heard.

MR. OTERO: Thank you. Mr. Samet? Well, Reverend, we thank you very much both for your assistance this morning in the press conference, and for your testimony here today. I wish you and your organization well in your endeavors.

Now, we have a panel of two presenter representing the "Free the Children - USA." May I call Shannon Goold, I hope I am pronouncing this correctly, and Adam Carter. Who wants to go first? I think ladies first.

MS. GOOLD: Okay. Hi, my name is Shannon Goold. I am 13 years old, and going into the eighth grade at George Mason Middle School in Falls Church, Virginia.

I became interested in child labor the moment I was old enough to understand what it is and how it can physically and emotionally harm a bonded child. My dad brings home information from the office and we talk about it together.

One night my dad came home from work very excited. He said there is going to be an episode of "Turning Point" on ABC News about a man named Kailash Satyarthi. We sat down together and watched the program. The program was filmed during one of Kailash's raids of a rug factory using bonded child labor. I was absolutely horrified by the small rooms full of rug looms, the small pot of rice that all of the children had to eat from, and most of all, by the confused children themselves. I saw children as young as six years old too confused to understand what was happening, although Kailash tried to explain.

Many of the children had scars from what looked like being whipped with sticks and hit with other objects. They also had cuts from the weaving knives that they had to use to do their weaving. They cried with joy when they found out they were going to be free.

I cannot fully express how I felt during the program, but my heart filled with sorrow for the kids. That was when I knew I had to do something to help.

Recently, my friends and colleagues, Elizabeth Carter and Adam Carter, thought about starting a chapter of "Free the Children - USA" here in the area. What luck we had. The same week Craig Kielberger, a Canadian teenager who works against child labor, came to D.C. to testify before the Democratic Policy Committee. Well, Adam, Elizabeth and I, went to the hearing and afterwards went out to lunch with him and were able to get his advice on how to start a chapter.

He told us first to ask around and see if people were interested. We found upon asking that many people didn't know what the problems of child labor are. So we had a school assembly to educate our peers. That was Monday, May 20th. Afterwards we witnessed many

strong reactions. Before the assembly many people told us that slavery had been abolished, that it didn't exist anymore, and there is nothing that they could do to help even if there were a problem.

After the assembly the same people came to us and told us that they were interested and wished to join.

I think the best way to get other teenagers involved with building up opposition to bonded child labor is through education. We are the consumers of tomorrow. If you educate us, then we will educate others. I believe that kids have a great influence on their parents. The parent is more likely to do something if their child comes to them and says, "Hey, I don't want things made by child labor" than if they just saw it on a TV program.

There are two bills that have been presented to the U.S. Congress. They need to be passed. The Harkin-Frank bill and the Moran bill. We need to ban all imports made by child labor. We need more labeling systems such as Rugmark so that the retailers and the consumers know whether or not their products have been made by children.

I don't want anything that was or might have been made by a child. The only way I as a consumer will know is if the Congress enact laws and if there are more labeling systems for clothes, soccer balls, fireworks and all products which are made by defenseless children.

One of the things "Free the Children" has hoped to do is to get soccer organizations, such as FIFA and the World Soccer Federation, to use their symbols as a labeling system on soccer balls. They should have one of the standards be that all soccer balls with their symbols on them be made sure to have involved absolutely no child or exploitative labor.

It would also like to get companies such as Adidas and Nike to inspect their factories for child laborers. That is why I hope they will join with the International Labor Rights Fund in the *Foul Ball* Campaign started by the Fund in order to pressure companies and organization into doing so.

I believe that *Foul Ball* Campaign will be a great success, and "Free the Children" would like to launch many more campaigns like it in the future. So we would like to work with Congress, government agencies, and organizations to get more labeling systems and laws.

Once again, I thank you very much and hope to work with all of you in the future.

MR. OTERO: Thank you, Ms. Gould. And we will now hear from Mr. Carter.

MR. CARTER: Hello, I am Adam Carter, and I am here today to ask you for your on-going help in the fight against child labor.

The United States Government must ban imported products that are made through the use of child labor. There are 200 million children in the world going to work instead of school. These children are being severely beaten, poorly fed, denied contact with their families. This

abuse is deplorable. It is happening to many children all over Asia, Latin America, and South America.

It is painful to me that the United States is the main supporter of child labor. This situation must be stopped. It just must be stopped. There are over 200 million kids in the world suffering. Their ages range from six to 14 years, and they work 16 hours a day. They are constantly tortured, malnourished, locked in the factories at night missing their families and longing to go to school. But instead they are condemned to pay back debts that may have been incurred before they were even born. After all this, their salary is either three cents a day or nothing at all. No one deserves to work for this.

There have been many efforts outside of government to stop child labor: the Robert F. Kennedy Center for Human Rights, The Carlotti Sex Program, Rugmark, and most recently, the *Foul Ball* campaign. Yet there are still 200 million children suffering.

It is the responsibility of the countries that import products from Third World markets to decrease child labor because they opened the market to buy the products, sell the products, and use the products. Germany, Sweden, Belgium and Canada have joined the fight. But the U.S. who is one of the largest consumers of these products has done just about nothing. There have been only a few U.S. Government attempts to stop child labor, the Harkin-Frank bill, the Brown bill and the Moran bill.

Furthermore, UN Convention 138 requires nations that sign to establish a national policy against child labor. To date, 187 countries have signed this document. The U.S. is not one of them. We must sign UN Convention 138.

Some people would argue that child labor is necessary. These people say that these children are getting paid a little is better than getting paid nothing at all. The children are poor and they need the money. But the children earn little or nothing. They also say that children need to learn a job for later in life. Well, these children have no future. They die or are maimed. They say that this fight is not America's responsibility, but it is. American companies and consumers should not exploit Third World children in any way any more than Americans exploit our own children.

If none of these arguments can convince you, there is still one more. This is not what your own children want. I do not want to wear, play, or use objects made through the use of child labor. I do not want the responsibility for that pain. I am angry that when I think about back when I was younger, that when I went to soccer practice the ball I played with was made by a child. I am angry that when I came home after soccer practice to quench my thirst, that glass I used is made -- was blown by a child. I am angry that every 4th of July when I go to see the fireworks to celebrate our nation's independence and our nation's freedom which these children do not have, they do not have independence, they do not have freedom, yet they are giving us our fireworks to celebrate our nation's independence. I am angry that these children have lost their childhood just to give me a little bit of mine.

This is a picture in last month's Life Magazine of a three-year-old girl making a soccer

ball that American children play with, who could just be her age. This isn't right. This just isn't right.

"Free the Children - USA" is going to fight against child labor. Our goals are: (1) a campaign to alert consumers that many items we use are made by children in conditions that led to illness or death; (2) an advocacy role in congressional hearings in support of a labeling system that would reward companies that refuse to use child labor by allowing them to attach a child free label to their products. It should be similar to the dolphin free label on tuna; (3) funding schools for free slave children in India; and (4) a student exchange program between New Delhi and local schools in Washington, D.C.

As long as child labor exists, it is everyone's responsibility. It is my responsibility. It is your responsibility to make sure that no child lives in conditions that wrong the dignity of man. Thank you.

MR. OTERO: Well, thank you very much, Ms. Goold and Mr. Carter. Let me assure both of you that we in the Department of Labor and indeed in the White House share your sense of outrage and your anger, and that is precisely why we are here. This is the third hearing that we have had in the last three years trying to elicit comments from the public in an effort to prepare a report that will expose these various egregious cases of violations around the world.

I want to commend both of you. I had the pleasure of knowing and meeting Mr. Craig Kielberger. He came to the Department of Labor to visit us. And I see that he has already left his imprint on both of you. So I want to congratulate both of you and urge you to do more, and also to ask you a couple of questions.

How many members of "Free the Children - USA" are there, and are you talking to your fellow classmates in school about joining "Free the Children - USA"?

MR. CARTER: All right. At first, when I first learned about this project, I tried to start a club, but I went to classes and classes and talked about it, but I basically got laughed at until we had Kailash Satyarthi and his daughter, Asmani, come to our school. Then we had a big response. In my grade level we had about 30 kids, and I'm not sure how many are in Shannon's grade.

MS. GOOLD: Probably more, probably around 40 or 50.

MR. CARTER: In the sixth grade so far there are 20. So I feel it's growing very big so far, and I feel it's going to go to high places.

MR. OTERO: Well, Craig was here and he traveled around the country. He has been around the world trying to raise the consciousness about this issue, and I am really very happy to have met both of you today because you are undertaking a very historic step that may someday help to eradicate from the sight of this planet any vestige of child labor. I would like to ask Mr. Samet if he has anything to say.

MR. SAMET: I just want to share your views, Jack, that we greatly respect the courage that you show in what you are doing, the commitment that you show. We appreciate your encouragement for what we are doing, and your challenge to us to do more. And we are going to try to meet that challenge, and I hope that we can continue to work together, you supporting us and us supporting you, so we can make clear progress on this issue before you end up graduating from high school.

MS. ROSEN: I will add one more thing, you said you hoped to work with us. I only hope that by the time the both of you are old enough that have to wear a suit and come to the office every day, that we won't be working on this issue anymore. We will work on something else together. Thank you.

MS. GOOLD: Thank you.

MR. OTERO: Well, thank you very much.

MR. CARTER: Thank you.

MR. OTERO: Good luck to both of you, and keep up the good work. I would like now to call on Mr. Joseph Gathia, I hope I am pronouncing this correctly, Gathia, Chairperson of the Child Labour Action Network of India. Welcome, Mr. Gathia.

MR. GATHIA: Thank you, Mr. Chairman, sir. First of all I would like to thank the U.S. Department of Labor for giving me a possibility to share our views on child labor.

In the recent past, particularly in the past three years, three important incidents have happened which are connected with the USA and which have made a significant impact on child labor. One is Senator Tom Harkin's bill on child labor. The other two are the two reports brought out by the U.S. Labor Department on child labor. That has given the NGOs an enormous amount of elbow room to work in Third World countries, because before those reports were out our governments were denying the existence of child labor.

And when the U.S. Labor Department brought out those reports it reconfirmed what we are doing. So we are thankful for this action of solidarity by the U.S. Labor Department.

Sir, I would like to point out that there are three areas which need to be seriously examined regarding the child labor issue. One is that within the recent past, within the last four years, from 1991, there is a sharp increase in child labor in South Asia. Number two, there has also been a sharp increase of child labor in export industries in South Asia. Number three, that there has been a significant dropout at the primary school level.

All these indicate that while children are leaving the school, even before finishing their primary school, they are joining the labor force.

Child Labour Action Network has four point objectives: One is to promulgate all the children's rights, which include right to education and protection from exploitation. Number two,

develop strategies to save children from hazardous occupation and which includes export intensive industries. Number three, promote programs in poor areas; and, four, promulgate social clauses in the WTO.

It is also our experience that there has to be an action on two levels, both at the level of the individual and at the level of the social actions. Because in our part of the country, in our part of the world, particularly South Asia, so far the prevalence of child labor has been accepted, like it's natural for the child to work. But we feel it is not natural, and this is the myth which we have to first break among the people's mind, this mind set that for a poor child it is natural to work.

I would also like to share with you that this issue must be approached from the welfare angle where the primary objective is to enhance the functioning and capability of individuals, thus expanding the areas of their positive freedom. Such processes also end in instilling inner-confidence, self-esteem, and self-responsibility in individuals. The developing of individuals in this approach is limited not only to the basic needs but also includes their realization of themselves as agents of society rather than just a target. The problem of child labor is both an individual and a social concern.

From this point of view there are four industries in India which need special attention. One is the leather industry, where child labor is prevalent; secondly, the garment industry; thirdly, carpets; and fourthly, gem polishing.

MR. SAMET: I'm sorry. What was the second one?

MR. GATHIA: Garment, leather.

MR. SAMET: Okay, thank you. Sorry.

MR. GATHIA: These are the export industries which our governments are promoting in South Asia. In today's context, when export policies of our government are causing more and more children to enter the labor force, it is important -- aside from promoting other kinds of things, maybe labeling -- it is also very important particularly to promote and support compulsory and free private education, because it is very important to check the new entrants into the labor market.

And how can we check new entrants into the labor market? We have been promulgating and we have been implementing a four-point program.

One, that we promulgate that within five years all bonded labor in South Asia must be tackled first. That should be a priority.

This second is that we must withdraw children -- especially those who are below the age of 10 -- from hazardous occupations in the next five years.

Thirdly, that within the same period the national government must give high priority to

primary education and spend money on primary education.

And, fourthly, to make work in hazardous occupation such that there is both monitoring by NGOs and by government agencies. At the international level, we would suggest that there must be a kind of mechanism, particularly by sharing of yearly reports, by the U.S. Labor Department through their embassies so that yearly some kind of a report is given to the national NGOs which then can be used to monitor or at least to examine the industries, particularly the U.S. industries in national countries.

Currently, sir, we do not have any information about which are the industries, which are the corporations, which import from India to United States of America. If this information were made available to the embassies in the countries perhaps that would be helpful.

The last thing I would like to plead is that there must be an ongoing program. The United States of America can play a very significant and prominent role in this aspect by promoting social clauses in WTO. Because in today's world no national economy is an independent economy. We are all interdependent economies, and therefore, such action should be possible.

So there was a statement here that Sherlock Holmes wondered why the dog wasn't barking. In our part of the world the saying is that the barking dog seldom bites. Thank you very much, sir.

MR. OTERO: Thank you, Mr. Gathia. Let me thank you very much for taking the time to come here today and present testimony. I would just like to make one note to assure you that the United States Government is fully committed to the development of a social clause, not only in the WTO, but also in the ILO, which is the institution that sets international labor standards.

But I find it compelling to tell you that one of the most active opponents of the concept of linking trade and labor standards has been India. And I would like for you to do whatever you can in your country to exercise influence to make sure that this discussion takes place in the context of the core labor standards which the ILO is trying to adopt -- one of which, significantly, is the issue of child labor.

So we thank you very much for the work you are doing, and we appreciate your being here today.

MR. GATHIA: Thank you.

MR. SAMET: Thank you for the very interesting testimony with the very concrete suggestions of things that we should follow up on. And I am sure we want to do that. I would just echo what Mr. Otero said, which is that if you could help us move the government of India at least into the undecided category on the social clause, that would be a major step forward. And although we have followed with interest the commission on this question that previous Prime Minister Rao established, with Swamy Subraniam and his views, which were somewhat encouraging to us. Perhaps the new government presents an opportunity to intensify our dialogue

in this question, although I wouldn't know what their policy may be.

I wanted to ask you your views on one issue, which is, to the extent that you are able to comment, the issue of child labor with regard to the state of Kerala in India is often held up as a positive model of how the issue can be dealt with. I am, of course, no expert on this question - quite the opposite. I know almost nothing about it except for the proposition that this is not a particularly wealthy state, but it's a state with a very intensive education commitment and hence, as we understand it, very low level of child exploitation.

In your view does that continue to be the case? Can you shed any light on why that's the case in that state, and whether that model is having any impact on other states in India and in the region as a whole?

MR. GATHIA: The incidence of child labor is less than a .08 percent than the other states, which is very significantly low. There are three reasons for it. One, that more than 100 years earlier, primary education was emphasized -- almost as far back as 1890. Both the charter institutions as well as the State of Provincore emphasized that all children below the age of 10 must go to the school, and therefore we are promulgating the same strategy -- that we must emphasize the primary education.

The second incidence is that in that area the local wage labor committees were active as early as 1956 overseeing the implementation of various social development programs, and also overseeing that children were sent to school by their parents.

The third part was that there was a social empowerment program which included telling the people, sharing information, what are the schemes, what are the laws. If the people don't know the laws, then they will insist that let this law be implemented.

Beside that, also from 1958 to 1968, in that 20-year period there was heavy implementation of poverty elimination programs, raising family wages to a level whereby a family will sustain itself. So therefore in our study, we have pleaded also in our testimony, that there must be a social empowering program simultaneously going on along with our effort. Otherwise, these efforts cannot be sustainable in the long run.

And for that we have been carrying on a political campaign for compulsory primary education in this election. We also bring out a yearly report saying what are the conditions of children, and we have greatly examined the issue of child labor. The governments of India's target is to tackle two million children in next five years, but until today only 36,000 children have been verified.

We would also like to draw the attention of the U.S. Labor Department to this small booklet which is a kind of child labor studies in all the international organizations. If this could be followed, then this certainly would be very happy. I will leave you copies.

MR. OTERO: Well, thank you very much, Mr. Gathia. We appreciate your contributions and furnishing these materials to our agency, to undertake further research. The next presenter

is Ms. Dorianne Beyer who is general counsel and represents today the National Child Labor Committee. Welcome, Ms. Beyer.

MS. BEYER: Hello, and you are to be congratulated in the long term, of course, for your leadership of international child labor amelioration, and in the short term for having a remarkable ability to sit at that time, which we in Yiddish call "zeits fleish," sitting flesh. You have had a very good quotient of sitting flesh, all of you. And I want to congratulate you for that.

MR. OTERO: I want you to know that I was a railway clerk on the railroad for many years. I had to sit at my desk.

(Laughter.)

MS. BEYER: I am Dorianne Beyer, general counsel of the National Child Labor Committee, America's oldest national voluntary membership organization dedicated to ensuring the health, safety and unimpeded development of child laborers.

A brief view of the National Child Labor Committee's historic mission and its implementation will provide some context for my comments here today. We are also very pleased to be given the chance to comment on the Department's strategy in this area, and with the Department's continuing and significant commitment to posing a strong and clear U.S. response to the globally destructive increase and exploitative and inexcusable child labor.

We also hope that this commitment is strengthened as to domestic child labor concerns, as we can hardly claim the mantle of global leadership in implementing moral, ethical and political barriers to oppressive child labor abroad as we watch our own young workers' child labor law rights legally and administratively deteriorate, and our illegally employed minors' injuries increase.

National Child Labor Committee was incorporated by act of Congress in 1907, as Washington then as now, recognized that exploitative child labor had to be stopped and chartered the NCLC in recognition of its leadership in leading the struggle to prohibit oppressive child labor and regulate working conditions for youngsters, that culminated in the passage of the Fair Labor Standards Act of 1938.

It is noteworthy, at this present hearing, to remember that the long march towards national legislation and a societal commitment to its enforcement was met with the implacable opposition that frequently masked economic greed in quasi-sociological terms. During the 1920s and '30s, when the United States was a markedly poorer and more rural society, the argument was made and buttressed by the testimony of impoverished parents, that the earnings of children no matter how meager were an absolute necessity to help the family's support. We also frequently heard how the choices, actions and labor of the children belonged the parents, not the government, and therefore personal freedom would be perniciously compromised by federal regulation.

In society at large there was no significant opposition to this notion of parental ownership of children, their rights and their labor, as the current view of the inherent, inviolate and

distinctive role of childhood was then an evolving, not universal norm. And children were always trotted before Congress to give gut-wrenching testimony of the starvation they would face at home without bringing home those wages from the mill, or they would extol the laboring life over education, saying that for their lives as coal miners or subsistence farmers they would hardly need formal training.

It was said that corn de-tasseling, laundering work, paper flower making, messengering and street hawking of newspapers, calendars or candy were traditional children's occupations in Nebraska, Pennsylvania, New York City, Denver, or Kansas City, and therefore it was unacceptably arrogant for the government to prohibit or regulate children's labor in these roles.

Immigrant families, it was proposed, had no other skills to sell, and no other way to gain their economic foothold into the mainstream of American society than by taking in homework, be it garment piecework or paper flower assembly at their kitchen tables, with their children's nimble fingers multiplying the parents' output.

Many claimed the child labor was a needed and laudable part of child development, teaching valuable lessons in responsibility, thrift and industriousness, while preventing those otherwise idle hours from being filled with illicit and debilitating activities like visits to pool halls, smoking cigarettes, or getting into fights.

As history has taught, most of these seemingly ad hoc and persuasive points of view were in fact orchestrated by those industries that had the most to lose by national legislation. Those sectors -- the textile industry, mining, news delivery, crop harvesting, retail trades and wire service offices -- would, with the passage of standardized national regulatory laws, no longer be able to rely on cheap and compliant labor, but would have to reorganize to find other economies than earning that day's profits through the theft of tomorrow's childhoods. And so they did. As the interlocking network of contemporary state and federal child labor law protections have largely become absorbed by American families and integrated into the employment practices of the business community.

This brief summary of our own fight for child labor standards that would protect children and their childhoods must have a familiar ring to everyone in this room this day. Instead of corn de-tasseling in Nebraska, today our equivalent concern is for 10-year-old coffee harvesters in Kenya. Although laundry work by children is no longer found in Philadelphia, the abuse of young girls as domestic workers in Zimbabwe is rampant. We no longer see children on Kansas City streets selling lottery tickets or trinkets, but street vendors in Brazil are considered canon fodder by the police.

National Child Labor Committee's traditional and unshakable advocacy for the individual child worker is no different today, when commenting upon the U.S. role in eradicating international child labor exploitation, than it was during decades gone by, when its focus was on establishing a bare minimum of domestic worker protections for our own young people. And that is the principle that I wish to enunciate clearly and broadly today as this esteemed panel considers various approaches towards strengthening the United States' commitment to and implementation of child labor eradication worldwide.

The National Child Labor Committee takes the position that in all U.S. efforts, be they legislative, regulatory, administrative or financial, the interests, protection and care of the individual child worker be paramount and uncompromised as we all seek effective amelioration strategies and techniques to abate the global trend towards an increase in ever more oppressive and even violent forms of child labor.

This translates into U.S. support for a needed multi-pronged approach to child labor eradication that always, however, includes an equally strong commitment to nurture and improve the life of each young worker who is displaced by our efforts to see the next generation's children thrive without the disabling burdens of exploitative labor.

Before illustrating this proposition with some specific examples of its application, its broad brush would, for example, require our government to push as hard for a nation states' provision of truly free universal, compulsory, relevant and high quality schools as for their signatures on bilateral or regional agreements that bind the signatories to nothing more than an unenforceable commitment to prosecute their own paper thin child labor standards.

It would impel that U.S. support of domestic legislation or NGO actions to establish boycotts, diplomatic, trade or foreign aid sanctions and the like, also include the mandate of specific rehabilitation programs for displaced child workers and their families be undertaken and financed in the offending country, to ensure that we are not sacrificing them on the altar of theoretical child labor eradication gains.

We must pursue with equal zeal both the targeted and complete rehabilitation and survival of the children and families our policies affect on the one hand, and the urgent and unassailable aim of reducing and eliminating oppressive child labor worldwide on the other. We believe that both goals can and must be reached.

As to your inquiry concerning replicable and responsive child labor eradication techniques practiced by U.S. companies and NGOs, NCLC supports and lauds the Rugmark Foundation and its campaign as described today. Its efforts at both empowering the domestic consumer to make ethical purchasing choices and in institutionalizing rehabilitation facilities and programs in carpet producing nations for displaced child workers through its mandated contributions to the Rugmark Foundation is instructive.

We urge that this model be carefully monitored and expanded as its concomitant goal of repatriating and rehabilitating child carpet weavers who are no longer allowed to labor at far away looms and workshops is, we hope, effectively reached.

Additionally, we cite you the ground-breaking efforts of the Council on Economic Priorities, an NGO located in New York, and dedicated to influencing and promoting greater corporate social responsibility. They have also been most helpful in assisting with and informing this testimony, for which I want to note my gratitude.

Their international child labor efforts have progressed from their traditional role of critiquing U.S. companies' performance in combating child labor along with many other public

policy issues and have organized. Their Partnership for Responsible Global Sourcing is an on-going committee of corporate representatives, aimed at improving their performance in developing, adopting, monitoring, and coalescing with relevant NGOs on codes of conduct for eradicating exploitative and illegal child labor within their own companies and that of their contractors.

The Partnership has, thus far, signed off on a common mission statement and on CEP's Guidelines for Corporate Action on Child Labor. CEP has also begun to include child labor assessment in its more historic role as a corporate responsibility watch dog.

As to codes of conduct in the garment industry, there are a few examples, some of which have been discussed today, of promising beginnings which at this stage of corporate involvement in child labor eradication is all one can assess. I won't go through the details of the Levi Strauss & Company program because that was most competently handled by the representative from Levi Strauss & Company. However, I will note that by addressing the critical issue of treatment of a displaced child laborer in its contractor's facilities in Bangladesh they point the way to the kind of corporate commitment of which I am speaking of today.

In their case the remedy was targeted, efficient and humane. They are paying for the displaced children to go to school, including the cost of their tuition, books and uniforms until they are 14 years old, after which time they agree to offer further factory work for their lawful re-entry into the work force.

To implement its goal of eliminating child labor in its contractors' and subcontractors' facilities, Levi Strauss & Company has conducted periodic audits of over 700 of these factors and over 50 countries, using its terms of engagement audit form for assessment. It also selects and rejects countries as sites for offshore manufacturing pursuant to its guidelines for country selection. And their guidelines include such criteria as impact on brand image, adoption of health and safety requirements, commitment to human rights, and legal requirements, and the level of political or social stability.

Additionally, Levi Strauss & Company funds by a donation of 2.5 percent of its pre-tax profits its own foundation which annually gives about \$10 million away in grants to U.S.-based community development programs.

However, as laudable as that is, it must also be said that payment of a fair wage, which is one that would support a family's basic needs, to its own and its contractors' adult work force worldwide would easily eliminate both any perceived need for child labor as well as the return to factory labor of 14 year olds.

Under its own terms, although Levi Strauss & Company's founding role in creating corporate codes of conduct must be noted and saluted, we can also glean that some of the necessary elements of the Levi Strauss & Company program that make it successful are their continued commitment to their codes implementation in word, deed, effort and money. Such has not frequently been the case, as many international retailers of branded garments have ideal codes of conduct and ancillary ethical programs which serve a useful public relations purpose, but

lacking consistent executive priority and the necessary resources for mediation, do not serve anything else.

A notable case is Reebok, which as it was noted here also, in 1992 developed an impressive set of human rights production standards for its business practices, and those of proposed contractors. They include a ban on child labor until the worker is 14 years old or at any age higher than that that is set for the state that it's involved in for compulsory education. It also funds its own foundation which gives grants to youth development and international human rights organizations, and is the only U.S. corporation in my knowledge to give money to international human rights affairs as consistently as they do.

Just this month this was noted. Reebok announced its plans to ensure the eradication of child labor in its contractors' soccer ball manufacturing workshops in Pakistan. As was already discussed, it organized that effort and will be starting up its own factory with a minimum working age of 15 years old, which is not only the ILO working age, but also the legal age in Pakistan.

Additionally, those guarantees that they have made on that child labor free factory operation in Pakistan will be vigorously monitored. So they addressed the goal of child labor eradication. However, they further agreed to financially support educational and/or vocational programs in Pakistan to provide a better future for its children. Although there were no further details on their rehabilitative remedy of providing educational alternatives, and this plan has yet to be implemented, it is clearly an exemplary first response to the growing scandal of little hands stitching Reebok's soccer balls intended for the play and enjoyment of many other little hands in the United States and elsewhere in the developed world.

Effective corporate codes of conduct must wed their ethical intentions to continued and consistent monitoring and enforcement in order to effect the dual goals I have come here to advocate. There must be actual child labor eradication within the corporation and their contractors' facilities, and there must be family sustenance support and additional underwriting of labor alternatives, usually school and vocational programs, for the displaced child laborers involved.

Unfortunately, CEP estimates that about 75 percent of all current corporate codes are merely statements of general ethics and principals of good corporate citizenship and address no particular issue or posit any remediation plan. About 25 percent of corporations that have codes of conduct include particular behaviors and related actions and responses to them in their statements, and also commit the corporation to continuing code enforcement efforts similar to Levi Strauss & Company's code.

Again, those actions must include the provision of alternative income and developmental activities for the displaced youngsters and their families. The most comprehensive codes would address the underlying structure of the production process or industry involved and would therefore be likely to require the most intensive and extensive remediation techniques.

As an example of this approach is Reebok, which could not effect compliance with its

code by policing the hundreds of far-flung workshops that produce soccer balls in Pakistan with illegal child labor. In fact, they could only claim success for child labor eradication by building and monitoring a new soccer ball manufacturing facility.

No matter how comprehensive and targeted any code is, it will not effectively reach its goal unless there is a continued and clear commitment from the top of the corporation, followed by clear mandates and procedures as well as financing to have it rolled out to all relevant partners along with a consistent commitment to the process of monitoring, re-tooling and funding its effectiveness.

MR. OTERO: Ms. Beyer, may I, at the risk of antagonizing you, asking if you could wind up shortly because we are running out of time.

MS. BEYER: The "zeits fleish" is going, huh.

(Laughter.)

MR. OTERO: Yes, you are right.

MS. BEYER: I understand. My next section really has to do with the international enforcement mechanisms that already exist, and that have not been used. People have already spoken about the ILO Convention No. 138. I would like to mention the United Nations Economic and Social Council, UNICEF, the World Bank, the World Trade Organization, and the OECD, which are also authorized to collaborate on social and economic development issues with governments and other actors in the child labor scene.

These institutions and other Bretton Woods institutions should be influenced to review their structural adjustment programs, to assess their impact on the poorest and most vulnerable members of the society; namely, needy children and families. I was pleased to hear about the effort to reach the World Bank and similar international banking authorities on those issues.

Also to be explored is the utilization of current regional trade and cooperation agreements such as CARICOM, the Caribbean Community and Caribbean Basin Initiatives, CBI, which impacts trade between the Caribbean and Central America.

Finally, I would like to advocate the strong and active movement within the Department of Labor as a leader in getting the United States to ratify and enforce the Convention on the Rights of the Child. Article 32 of the Convention is directly on point concerning child labor, but by ratifying the convention, as Secretary Reich did mention, the United States will gain the credibility and ability to act in this area as a rightful moral leader. Without such ratification our role and unassailability on that regard is certainly suspect. Other articles are also useful in the Convention but that Article 32 would be the most likely to be used.

It's clear to me that the world's reliance upon the Convention in setting a course for child labor remediation is now dominant and will only grow. Once we ratify we will immediately be able to align ourselves with both the global community and those nations with the most offending

child labor conditions, to increase our authority and effectiveness in eliminating the oppressive child labor that is our common and abiding concern for today and for the future. Thank you.

MR. OTERO: I thank you very much not only for your presentation but for being merciful at the end because I am really chained to this chair.

(Laughter.)

MS. BEYER: I understand. I noted that anyway.

MR. OTERO: And Sonia has the key.

(Laughter.)

MR. OTERO: But let me ask you one question that was intriguing at the beginning of your testimony. You alluded to the fact that the National Child Labor Committee was incorporated by an act of Congress.

MS. BEYER: That is correct.

MR. OTERO: Am I to surmise from that statement that you are financed by Congress?

MS. BEYER: No. That would have been very lovely. However, that was not the case. It happened that during the early part of the century -- many people are not terribly aware of this -- that Congress did authorize the incorporation by act of Congress of several not-for-profit organizations that it felt were uniquely positioned to act in the public interest, of which the NAACP is another one. So it took really the leaders, the leading agencies in several social issues areas at the time, and conferred on it the honor of being organized under their Act. And at our offices we have that Act, of course, properly laminated and displayed. And we frequently come up with problems in that area because, of course, taxing authorities want to know where do we pay.

MR. OTERO: Yes. Is it also fair to assume that being in business since 1907, almost 90 years --

MS. BEYER: Yes.

MR. OTERO: -- that you are the oldest --

MS. BEYER: Yes.

MR. OTERO: -- organization in the United States?

MS. BEYER: Concerned with that issue, that is correct.

MR. OTERO: That is very interesting.

MS. BEYER: That is correct. Actually, we were organized in 1904, but not recognized by act of Congress until 1907. So I certainly expect to be alive for our 100th centenary.

MR. OTERO: I hope so. I hope to be alive myself. Thank you very much, Ms. Beyer, for being with us. I thank you very much for your contribution to this hearing and to the efforts that we have undertaken to try to stamp out child labor around the world.

MS. BEYER: Thank you.

MR. OTERO: And in the United States as well.

MS. BEYER: My pleasure.

MR. OTERO: In order to avoid having anyone be the last presenter, I am going to ask the last two persons who are on my list if they will kindly come at the same time, Miriam Lyons and Lauren Goldblatt, and that way they can have company and we can see the light at the end of the tunnel.

Let me introduce, first of all, Miriam Lyons from the Association Francois Xavier Bagnoud, pardon my French, and Lauren Goldblatt who represents Congressman Lane Evans from Illinois. We will begin with Ms. Lyons, and, Lauren, you will bat second.

MS. LYONS: Hello, my name is Miriam Lyons. I represent the Association Francois Xavier Bagnoud, and I also coordinate a children's rights project for the Association. I am here to speak about the approach that the Association has taken to fight against child labor through a corporate consciousness awakening as an alternative to labeling and boycotts.

I also will speak briefly about an experience, a successful experience we have had working in partnership with a major Swiss corporation that imports.

The Association Francois Xavier Bagnoud, which I will refer to as AFXB, a nongovernmental organization, has proposed to act as intermediary between segments of the economy in the industrialized world and partners in the South striving to eradicate the scourge of juvenile forced labor.

In addition, AFXB is opposed to any form of boycott of countries or economic sectors as the practice solely results in the worsening of the child workers' already difficult living conditions.

In lieu of boycott, the Association advocates concrete cooperation between NGOs and the commercial firms that distribute products manufactured in the concerned countries, especially textiles, and particularly, carpets. This approach consists in training the buyers working for these economic sectors in order to give them the means to avoid untrustworthy intermediaries, in the north as well as in the supplier countries.

States and manufacturers are not in a position to offer real guarantees either as to the non-

involvement of children in the manufacture of a product, nor as to the medical, social and salary conditions of young workers. Neither can they even ensure the safeguard of the child's most basic rights, the right to remain in contact with their family and the right to education.

Neither do special labels affixed to the concerned products – carpets, sports articles like footballs and shoes – give a true guarantee as to their conditions of production. The surveillance capacity of the responsible national structures, such as labor inspectors, as well as that of international organizations, which are usually not entrusted with this mandate or even of NGOs, who are able to act on an occasional basis and usually without being systematic, is insufficient to ensure the trustworthiness of any kind of label.

Moreover, the reasoning behind the label practice consists in playing with the sensitivity of the consumer mainly by using the impact of the media, the favored vehicle of campaigns, both too infrequent and subject to fashion trends. Once a product is labeled, a carpet, for instance, the consumer may make the rash conclusion that the problem is already, or else underway to being, solved.

Let's take the example of India where, according to government, NGOs, and UN sources, as well as local activists, there could be as many as 60 million child workers. Of this number less than two percent are involved in manufacturing products for export, the only ones the Western consumer can get some sort of control on. Therefore, there is a real risk to conceal the reality of 98 percent of those children, most of them employed in the agricultural, industrial and informal economy sectors, which produce goods for local consumption. A massive demobilization of the Western consumer may therefore be feared once export goods, carpets, shoes, articles for sports, have been duly labeled.

Moreover, the number of carpet looms in the whole of India, according to various cross-estimations, ought to be in a range between 200,000 and 600,000 looms. Rugmark, an Indo-German venture, quite honestly admits that their people, as of June 1996, had only registered 13,000, and of these 13,000, had only monitored 7,000 such looms.

From the beginning of 1995, the start of the venture, again according to Rugmark itself, some 220,000 carpets have been labeled and exported to the industrialized world. A monthly average of 22,000 carpets are presently exported after labeling. This venture, though it is undeniably an attempt to encourage local manufacturers to behave coherently, is nonetheless incapable of solving the problem all by itself.

A field survey carried out in June 1996 by AFXB has led the Association, after various contacts with NGOs, UNDP and ILO representatives, to the conclusion that the majority of Indian activist organizations involved in the fight against forced child labor act principally through demonstrations that are largely supported by both the Indian and the international media to sensitize the public to the problem.

As of the AFXB, it promotes a change in the attitude of buyers working for Western distributors, coupled with the investment of funds donated by the latter in the training of children removed from the labor force. In short, our association has reached the following conclusions:

One, any boycott only serves to weaken and debilitate the economies of the Southern World; in addition, boycott is an inconsequent form of disguised protectionism.

Two, labels meant to guarantee that certain articles have not been manufactured by child forced laborers do not offer sufficient guarantees to the consumer given the weaknesses of surveillance networks. Moreover, the label practice provides the distributors of the Western world with an easy escape from the responsibility towards the customers who are not in a position to judge the true worth and pertinence of the labels. In addition, the label practice in India, at least, is received by many as debasing.

Three, the only concrete solution consists in NGOs working together with firms in the Western world in order to change buying attitudes and set up rehabilitation programs with the aim of removing children from forced labor and training them both for their and our future.

Instead of relying solely on the conscience of the consumer, AFXB advocates fostering responsibility of both distributors and manufacturers.

A concrete example is the Swiss mail order company, Charles Veillon, S.A., recipient of the CEP Corporate Conscience Award for child labor initiatives. Charles Veillon, S.A., a catalogue company that sells furniture and rugs, decided in 1993 to add oriental carpets to its product line, before realizing the problems involved.

Once Jacques Zwahlen, the CEO, learned about child labor related to carpet weaving, he appointed Carlos Bauverd, who is in charge of the children's rights program for AFXB and who speaks for the Association on child labor, to sensitize his entire staff to the problem. He also proceeded to check his whole supplier network, requesting the help of Swiss importers. Only one out of four, however, was willing to give supplier addresses and to cooperate. Veillon cut off its business with the other three and looked for suppliers willing to be governed by guidelines it had developed in consultation with the expert from AFXB.

Veillon adopted a code of conduct on child labor, which is based on five principles: (1) Direct contact with all suppliers, thus eliminating the middle man; (2) systematic audit of suppliers, to ensure that they do not use forced labor. The audit includes surprise visits, evening visits, conversations with employees and checks that adolescents are receiving an education; (3) partnership with the Swiss NGO expert on forced child labor, which advises the company on how to combat the scourge. AFXB was chosen for this position; (4) financial assistance from the company for education of children, job training, and medical care for the rehabilitation of former juvenile forced laborers; and, (5) creation of awareness among employees.

The implementation of this code of conduct resulted in enabling the company to offer its customers a range of carpets solely woven by adult hands. This was accomplished with no added cost, simply because the fees formerly paid to middlemen now finance buyer visits to the suppliers.

Charles Veillon's buying policy achieved international recognition on June 4, 1996, when Jacques Zwahlen, the CEO, received in New York, on behalf of the company, the corporate

conscious award from the Council on Economic Priorities.

In conclusion, the results from the AFXB recent survey in India led the Association to propose to Charles Veillon to finance programs of an Indian NGO, which has been active for six years in four villages in the carpet belt area. An average of 700 children removed from child labor receive a three-year education, the equivalent of the elementary cycle in the Indian system, in the framework of the project. This is followed by vocational training meant to allow the children to get a grip on their own future.

Serious medical follow up for the children is part of the project. In addition, each child gets a free meal a day, as well as a stipend that compensates the child and his family the loss of the salary. The cycle is not combined with any work at anytime.

Following this concrete and successful experience, AFXB plans to reproduce it with other companies involved with export goods and wishes to encourage them to adopt codes of conduct similar to Charles Veillon. It also encourages them to invest funds in rehabilitation projects such as the one described here, mainly because such projects benefit sectors other than solely the export goods market. Thank you.

MR. OTERO: Thank you, Ms. Lyons. Can I ask you if you would be kind enough to furnish us with a copy of the survey that you made in India recently if that is public information that you can share with us?

MS. LYONS: Yes.

MR. OTERO: And also, I would like to say that you present a very provocative and different approach to this question which is different from everything we have heard here today, and it deserves consideration on our part, just like we are trying to find out different viewpoints. I would just like to ask you two more questions. You said there could be as many as 60 million, there could be as many as 60 million child workers, and of this number, less than two percent are involved in export labor. One, in other words, is this an assumption, or is this based on empirical data?

MS. LYONS: There is no empirical data of the actual number of child workers, and I think everyone will tell you that. This is based on consultations with governments, NGOs and UN agencies, including the ILO, UNDP, UNICEF. Sixty million children are in the labor force. Two percent of them are involved in export labor. In other words, the other 98 percent are laboring in the home, on the farm, in ways that are not touched by the U.S. consumer. So that if we only address the issue of exports, we are basically drawing a curtain in front of the other 98 percent of the children who are laboring in the world, and we really risk forgetting them.

MR. OTERO: Can I ask you to give me succinct information about what the Association is about? I mean, where is it financed and what is it?

MS. LYONS: Okay, that's hard. Okay, the Association is financed by the Foundation Francois Xavier Bagnoud, which is a family foundation, which was founded in 1989 by the

family of Francois. It has funded some major projects like the AFXB -- Harvard School of Public Health Center for Health and Human Rights, and International Pediatric AIDS Training in Newark, and projects that are of a more direct humanitarian nature, dealing with children with AIDS, street children, children affected by war, AIDS orphans in Uganda, and children or young women in rehabilitation in Burma who have been used in sexual exploitation. So we address the issue of children in very extreme circumstances.

MR. OTERO: Well, thank you very much, Ms. Lyons. We thank you very much for presenting the testimony and we appreciate your being here. And now we go to Ms. Lauren Goldblatt, who represents Congressman Lane Evans from Illinois.

MS. GOLDBLATT: Good afternoon. I will make it very brief. I know you are hungry. And this is very appropriate because we just hosted a panel discussion in conjunction with the Council on Economic Priorities, and brought the CEOs and corporate representatives who won the Corporate Conscience Awards for 1996 to Congress to talk to members and staff about what they are doing on these issues, some of the obstacles that they faced while implementing corporate responsibility, and what role the federal government can play to encourage corporate responsibility at home and abroad. So we had Veillon and the Foundation also come to talk.

MR. SAMET: He's checking it out. Of course, that's why he asked you.

MS. GOLDBLATT: Oh, of course. I am Lauren Goldblatt, and I am honored to testify on behalf of the Congressman. He apologizes for his absence but he holds a very strong interest in this issue and commends the Secretary of Labor and all of you for all your hard work on this issue. We are very strong supporters of his colleagues, obviously, who testified at the beginning of the day. We are sponsors of the Frank legislation, and very involved with the labeling campaign.

The globalization of trade and investment has given multinationals enormous economic power over the communities and countries in which they operate. While a handful of firms, like Levi Strauss & Company and Reebok, have used those prerogatives to effect positive change in the work place, most others have chosen to compromise human and worker rights for the sake of the bottom line.

The drive for new markets and cheaper labor has led many firms to hide behind the straw man of competitive advantage as an excuse for employing child and exploitative labor. Governments are also responsible for allowing this abhorrent practice to continue. For example, the U.S. has made a commitment to establishing free trade and securing corporate contracts abroad. It has not encouraged U.S. firms to balance profit and corporate responsibility.

For that reason it is essential that governments, NGOs, investors and consumers work together to encourage companies to develop, adopt and implement guidelines of corporate responsibility with the focus on child and bonded labor.

It is increasingly important that the U.S. Government ensure that global trade and investment policies foster responsible corporate practices abroad. In an effort to prompt

government involvement, in 1994, Congressman Evans introduced H.R. 910, the Socially Responsible Business Practices Act of 1995. The legislation not only encourages corporations to adopt a set of principles, but also seeks to improve their level of adherence to such standards. The bill calls on relevant agencies to develop a set of guidelines based on internationally recognized principles, not U.S. standards, such as the Sullivan and McBride principles, the child labor standards established by the ILO and the present labor standards also.

The bill also requires a registry of companies that adhere to the guidelines and an annual report on the progress of such standards. Most importantly, this information would be made public so that ambassadors and consumers can make informed decision in the marketplace.

Congressman Evans has also urged the administration to partner with religious, nonprofit and investment firms to develop an information clearinghouse on global corporate responsibility. While few businesses have worked with these entities to create and monitor guidelines for overseas contractors, many firms are not even aware that these resources exist.

For this reason, Congressman Evans has asked the Commerce Department, in conjunction with other agencies, to make global corporate responsibility a part of the strategy for improving and expanding global opportunities.

In 1992, Congress formally created the Trade Promotion Coordinating Committee in order to provide U.S. businesses with the tools to compete internationally. The network provides market information matching services and provides interagency assistance for any U.S. firm seeking support for international activity. This body could be expanded to include a clearinghouse which disseminates information on corporate ethical practices with the focus on child labor, provides lists of contractors abroad known to adhere to internationally recognized worker rights, supplies firms with case studies of exemplary corporate practices, notifies firms about workshops, conferences and other resources that teach U.S. firms how to implement ethical practices into their international operations, and provides information on organizations which concentrate their efforts on these issues.

In addition, the U.S. should also develop procurement and international financing policies that favor U.S. firms dedicated to effectively monitoring their international operations.

Furthermore, participants in government sponsored trade missions should be encouraged to use the above resources to determine how, where and with whom to source production globally. As a leader in the world economy, the U.S. should ensure that U.S. international and trade investment is both a competitive and positive force abroad, not a license to exploit workers and children.

MR. OTERO: Thank you, Ms. Goldblatt. Let me ask you two questions, and I confess that I am not familiar with each and every bill that has been introduced. But when did you say when H.R. 910 was introduced?

MS. GOLDBLATT: H.R. 910, we originally introduced it in 1994.

MR. OTERO: That's what I thought.

MA. GOLDBLATT: It was H.R. 5261, reintroduced it during the 104th Congress.

MR. OTERO: Okay, now, are these ideas that you have outlined here for an expansion of the TPCC role also part of 910 or is that something --

MS. GOLDBLATT: No, we can make it, but we wrote a letter to the Secretary of Commerce a couple months ago asking him to develop this clearinghouse. The TPCC provides all these services to companies. It would be very easy to just expand it a little more to include that.

MR. OTERO: We are quite familiar with the TPCC because we serve on that.

MS. GOLDBLATT: Absolutely.

MR. OTERO: And I think that your recommendations here, these points that Congressman Lane Evans is advocating make a lot of sense. I just wanted to know if it was part of the proposed legislation.

MS. GOLDBLATT: No.

MR. OTERO: It isn't.

MS. GOLDBLATT: But we can make it one if we reintroduced the bill.

MR. OTERO: Very good. Okay, well, I have no further questions. Mr. Samet?

MR. SAMET: I just agree that the proposals are very interesting. We have worked together with your office in the past, and certainly we want to do that in the future, and see if we can move some of those ideas forward. We appreciate your being here.

MR. OTERO: Please tell Lane that I said hello. We have been friends for many, many years.

MS. GOLDBLATT: Okay.

MR. OTERO: We thank both of you for being here today.

MS. GOLDBLATT: Thank you.

MR. OTERO: Now, ladies and gentlemen, we have come to the bewitching hour. But before we do depart I have a few things to do, and I beg you to bear with me a couple more minutes.

First of all, I would like to recognize and express the appreciation of our agency, the

Bureau of International Labor Affairs, to the Secretary of Labor himself, and to Senator Harkin and to Congressman Frank, Congressman Miller, Congressman Smith, Congressman Lane Evans, and Congressman Kennedy for taking time to be here with us and to offer their very, very important input.

And then I would like to thank sincerely each and every one of the presenters here today. I think that your testimony will be of significant assistance to our staff in developing information in the preparation of the third report that the Department of Labor has been mandated by the Congress and which we must have ready by the end of September.

I have found that many of the proposals and ideas that have been presented here today, as well as other data, will be very, very useful to us, and I want to thank each and everyone of you. And, of course, we may be establishing direct contact with you on some of the things that you presented here today to have further opportunity to discuss it individually with the various presenters.

Also, for the record I would like to thank also the staff, the unsung heroes of this hearing who are beyond the three of us, but are the people that really put it together. And for the record I would like to name, put their names in the record with the appreciation of Secretary Reich, my personal appreciation and those of us at ILAB, especially to Teresa Estrada-Berg, Maureen Jaffe, Maria Elena Marquez, Melissa Yazman, Diane Ward, Ysabel Castaneda and Gabriela Araujo.

And also my sincere thanks to the folks who are doing the recording. Unfortunately, I don't know your names, but I want to thank both of you. You have had a lot of patience as well, and probably not hungry, are you, by now? You forgot what food is all about. But we are about to come to a conclusion. I would like to pay special thanks to my associate, Mr. Samet, and my associate, Sonia Rosen, for the excellent work that they do in child labor issues year in and year out. Thank you to all of you, and may you all have a nice day.

(Whereupon, at 3:00 p.m., the public hearing was adjourned.)

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STATEMENT BY THE

HONORABLE GEORGE MILLER

BEFORE THE U.S. DEPARTMENT OF LABOR

Hearing on Child Labor

JUNE 28, 1996

Mr. Chairman, thank you for inviting me to testify today and for holding this important hearing. Secretary Reich and his staff at the Department deserve considerable credit for their efforts to chronicle the use of child labor worldwide. My testimony today focuses on who is responsible for ongoing child labor exploitation and on the role consumers and policy makers can play in trying to eradicate that exploitation.

As you know, on April 29th I chaired a hearing of the Democratic Policy Committee on child labor, eco-labeling, and the ability of consumers to change the way companies make their products. It was at that hearing that the National Labor Committee ignited the greatest debate on sweatshops and child labor in more than a decade by making the now well-known allegations that Wal-Mart Stores, Inc.'s contractors used sweatshops and child laborers to make the Kathie Lee Gifford clothing line.

The conclusion I drew from that hearing was that the use of child and other exploited labor is a widespread, central ingredient in the international textile and sporting goods industries. The use of child laborers in Asia, Africa and Latin America is an integral part of a system in which contractors prey on vulnerable workers, and in which retailers and manufacturers shift blame when labor violations are exposed.

Most experts agree that international competition has fueled a rise in the use of child and exploited labor both domestically and abroad. The availability of huge profits seems to have enticed some of the largest and most well-known companies in America to manufacture even in countries with well-documented records of violating human rights, labor rights, and the rights of children.

As part of our ongoing investigation into the use of child and exploited labor, we solicited information from numerous companies regarding their approach to corporate responsibility and contracting abroad.

Based on the business responses, we learned that many companies in the apparel industry, for example, have anti-sweatshop policies. They have contracts that require their suppliers or contractors to respect the rights of their workers and to hire only employees of legal age.

While some retailers and manufacturers have adopted corporate codes of responsibility that serve no other purpose than to shield against public criticism, other companies appear to be changing the way they produce their goods to insure the integrity of their codes of conduct.

Nike has stated that it plans to stop outsourcing the stitching of its soccer balls in Pakistan and will instead build stitching centers with one contractor controlling all the work on their soccer balls. Nike's code of conduct prohibits its contractors from using child labor. Reebok has announced similar plans to stop outsourcing. If true, these companies should be applauded for taking steps to limit the use of child labor in the shops of their contractors.

Other companies in the soccer industry should follow Nike and Reebok's lead. The German company Addidas, as just one example of a large player in this industry, has not announced the creation of stitching centers. This morning I joined you, Mr. Secretary, and others to announce an important campaign to insure that more companies bar the use of child labor in the manufacture of soccer balls.

But, while we are on the subject of good actors, I should also note that Kathie Lee Gifford has set herself apart among celebrities by now acting to stop child labor and sweatshop labor. Ms. Gifford seems to know that she has the power to make major changes in the apparel industry and in the consciousness of her colleagues, and I applaud her for embracing the opportunity she now has to make those changes.

While I applaud Nike and Reebok's announced changes, the evidence provided at the hearing and in subsequent reports suggests that the adoption of a code of conduct and first party inspections are not enough. The case of Wal-Mart and its plant in Honduras -- and, as it was later revealed, in New York City -- is just one example of sweatshop and child labor continuing despite contracts that prohibit it and company inspections ostensibly designed to enforce those contracts.

One important step the U.S. government can take to improve this system is to provide for an anti-sweatshop labeling system that encourages corporate and consumer responsibility. If companies are willing to stand behind a code of conduct, they should be willing to allow independent inspections and use labels to communicate directly to the consumer that they are enforcing their code of conduct.

At the April 29 hearing, we learned a great deal about ecolabeling as an excellent example of a labeling system that has sparked consumer interest and corporate consciousness. Today, products are adorned with Green Seals, recycling symbols, Dolphin Safe labels, and "no CFCs" stamps. Product catalogs, like that of the retail giant IKEA, include detailed descriptions of corporate policies designed to protect the environment.

And, while some businesses resist the movement toward more consumer information and argue that labels are disguised barriers to trade, there is every indication that product labels are here to stay for at least two reasons: consumers want to know more about how products are made and businesses are increasingly embracing consumer labels as a means of capturing greater market share.

In fact, a 1992 Ad Age poll found that 70 percent of the respondents said ecolabeling or environmental advertising influences their purchasing decisions. What is perhaps more important for the purposes of this hearing, a 1995 Marymount University survey found that 75 percent of respondents would boycott a store that sold goods made in sweatshops, and nearly 85 percent would pay an extra \$1 dollar on a \$20 dollar garment, if they could be sure that the garment was not made with sweatshop labor.

There is every indication that consumer, human rights, and worker advocates appreciate the desire of consumers to purchase products that are made under decent working conditions. UNITE, the National Labor Committee, the Fair Trade Federation and others either already have labels or are looking into developing anti-sweatshop labels as a way to satisfy this consumer demand.

The Congress and the Administration could take a dramatic step forward in this area by advocating the adoption of an anti-sweatshop label. We should define it in law, using the Dolphin Safe label as a model. An anti-sweatshop label would mean that the product in question was not produced with child or exploited labor.

The standard for the label should include adherence to ILO Convention 138 and its intent to limit heavy work and long hours to kids 15 and older.

The standard should further include adherence to the labor standards outlined in the GSP law, which includes: protection of the right of association and the right to organize and bargain collectively; prohibition on the use of forced or compulsory labor; acceptable minimum wages, hours of work, and health and safety standards; and a prohibition against verbal, physical and sexual abuse of workers.

The use of an anti-sweatshop label should also be restricted to those manufacturers that allow random inspections of their plants by independent monitors. The Gap has already agreed to such inspections and Kathie Lee Gifford has called on Wal-Mart to open up their shops to independent inspections. We should encourage this practice industry wide.

Finally, we should strengthen the enforcement of an anti-sweatshop label by increasing the fines for violations under the Federal Trade Commission Act and provide for expedited injunctions against violators.

I fully appreciate that getting retailers and manufacturers to agree to an anti-sweatshop

label will not be easy. The companies that wrote back to me largely rejected the idea of a label. But we should remember that just last year the idea of allowing independent monitors into production plants was considered unthinkable.

Anti-sweatshop labels are increasingly necessary given business' current thirst for cheap and vulnerable labor. And they are inevitable. The exploitation of vulnerable workers in developing countries is an assault on the morals and the living standards of workers everywhere. The American people and citizens of other industrialized countries appear ready to embrace a full scale effort to eliminate the use of sweatshops and child labor. The only thing consumers lack at this point is the information they need to make informed purchasing decision.

The labels are also inevitable because the alternative is continued embarrassment. Businesses will continue to be criticized and celebrities publicly embarrassed until they get serious about not using sweatshops. We ought to give celebrities, retailers and manufacturers the tools with which they can demonstrate their respect for children and workers, and for their consumers. I am confident that retailers and manufacturers would prefer a voluntary labeling system to other government action.

Mr. Chairman, thank you and I look forward to answering any questions you may have.

JOSEPH P. KENNEDY II
STATEMENT
HEARING ON CHILD LABOR
JUNE 28, 1996

Good morning. I am very pleased to have the opportunity to testify before you today on the issue of child labor in the production of goods imported into the United States.

There are millions of children around the world currently working in intolerable conditions. These are not conditions where children are working at home, in a small, family-based business or on a farm to scratch out a subsistence living.

We are talking about kids who are chained to rug looms, or forced to work in sweat shops in Central America. These are children who are being paid six cents an hour to stitch soccer balls used by kids in this country -- soccer balls like the one I have brought before you today.

Children work in horrible conditions to produce goods that are exported all around the world -- including to the United States. We use items every day that are made by the tiny hands of children - items such as glassware, bronze-ware, silk -- and soccer balls.

From the Olympics to World Cup Soccer, from the new major league soccer team the Revolution in Boston to the DC United,

from our universities to the US Soccer Association, to kids playing in parks in every little city and town across America -- a horrible crime is taking place. All of these groups are kicking soccer balls stitched by kids working on the other side of the world.

Pakistan produces 35 million soccer balls a year. Approximately 25% of all the stitching on these balls is performed by children.

The children stitching these balls are young -- as young as 6 or 7. And they are working in slave-like conditions -- up to ten hours a day, with little light or ventilation.

The stitching of balls takes place far away from the factories - far away from the monitors and the spot checkers. Stitching takes place in small villages surrounding Sialkot - the hub of Pakistan's soccer ball industry.

And these children who labor to stitch soccer balls for use in the US get paid next to nothing. They work six days a week, from six to ten hours a day, and they get paid **six cents an hour**. That's right - just six cents an hour.

These children should be in school. Or they should be outside in the sunlight, running and playing. They should not

have been cooped up in a dark, stuffy room to stitch together panels on soccer balls so that other kids around the world have something to play with.

I was very pleased to learn that a few companies are taking steps to address this problem of child labor in the soccer industry. **Reebok** recently established a Task Force on Global Manufacturing Practices to find solutions to this problem.

As a result, Reebok has recently committed itself to constructing a new soccer ball facility dedicated to producing Reebok balls. All the work will be on-site -- stitching will not be outsourced to villages in the surrounding areas. As a result, Reebok will be able to guarantee that all employees will be 15 or older - the legal working age in Pakistan.

In addition, Reebok has committed itself to support educational and vocational training for children. Finally, they have agreed to implement a vigorous monitoring program to ensure that no child labor is used in the production of their soccer balls.

Nike is also taking steps to ensure that their balls are not stitched by children. They, too, are building stitching factories so they can monitor the age of the people producing the balls.

We all know that it will take time for Nike and Reebok to implement these changes. But they are working to make a difference as quickly as possible. And they are taking positive steps to reach the ultimate goal of removing children from manufacturing the balls.

Millions of people in this country and across the world have no idea that this children are involved in this industry.

And the governing board of soccer is doing nothing about it.

I am here today to call on FIFA - the International Soccer Federation in Geneva - to get their act together. I call on them to certify and label that the balls they authorize for official play be made without child labor.

If FIFA doesn't have the resources to monitor the industry, they should charge a nominal fee -- say 5 cents, 10 cents, 25 cents per ball to set up a fund to pay for monitoring.

I am here today to call on the Olympics to not use balls made with child labor. The balls that are being used in the 1996 Olympics are Adidas balls that have been stitched in Pakistan. In all likelihood, some of those balls have been tainted with the hands of children.

I call on consumers to demand balls not be produced with children. I am confident that consumers would be willing to pay an extra ten cents per ball to allow FIFA to hire the necessary people from UNICEF to guarantee that these balls are not being made by child labor.

And I call on manufacturers to stop using children in the production of soccer balls. Follow the example of Reebok - and build an on-site stitching factory so that you can guarantee no children are used. Or set up an effective monitoring system to accomplish this goal.

The manufacturers are harming the kids - and harming the economy of the United States. They are undercutting our ability to compete in the world marketplace. American workers are losing their job due to cheap foreign imports -- cheap because they are produced by a child slave laborer. And these manufacturers are exploiting the most vulnerable people on the face of this planet - our children.

This is not about protectionism or beating up on developing nations. I am a supporter of free trade. But I've sat in my office with Ambassadors and foreign officials and I know in my gut that no amount of denial or rationalization can justify the use of child labor.

Hearings like today's have a way of inspiring new, tough laws and policies. Today is the official kick-off date for the Foul Ball campaign - the beginning of a nation wide effort to end child labor in a specific industry. The long-term goal is to end all child labor. Today is the first step in that worthwhile journey. Thank you.

**STATEMENT OF ROBIN LANIER,
VICE PRESIDENT FOR INTERNATIONAL TRADE AND ENVIRONMENT,
INTERNATIONAL MASS RETAIL ASSOCIATION**

BEFORE THE U.S. DEPARTMENT OF LABOR

JUNE 28, 1996

Good morning. My name is Robin Lanier and I serve as Vice President for International Trade and Environment with the International Mass Retail Association. IMRA represents the largest and fastest growing segment of the retail industry, with 170 mass retailers that include discount department stores, home centers, category dominant or specialty discounters, catalogue showrooms, dollar stores, warehouse clubs, deep discount drug stores, and off-price stores. Collectively, IMRA retail members operate more than 61,000 stores in the U.S. and abroad and employ millions of Americans. IMRA retail members cumulatively represent over \$346 billion in annual sales.

The issue of child labor is not new. What is new is that in the last several months, the focus has turned to the retailers' role in this matter. Unfortunately, much of the finger-pointing to the retail industry has been with very little understanding of how this industry operates. Today, I would like to take this opportunity to explain how the mass retail industry works, including what a mass retailer can and does do to avoid the purchase of goods made with child labor, but I also will point out the very real limitations that exist for mass retailers.

Let me start with one very basic premise: Not one of our members condones child labor. That I can state with absolute certainty. Most mass retailers have codes of conduct which require adherence to local wage and labor laws. Some of these codes provide that when there is a difference between the local law and U.S. law, whichever one sets a higher standard should be applied. Many of these codes expressly prohibit the use of child labor.

Moreover, many mass retailers have historically insisted that their suppliers enter into legally binding agreements giving assurances that they are in compliance with local labor laws. Where no local labor laws exist, many retailers insist on basic minimum requirements, particularly with respect to the employment of children.

As a general rule, most retailers do not own factories that manufacture products - we are merchants who sell products, not manufacturers. Given the proliferation of "private labels" that bear a retailer's trade mark or brand name, we recognize that there may be some confusion on this issue. However, the way private label works is that mass retailers contract with "middle men," "importers," or even directly with foreign factories to have such "private label" merchandise produced. The volume of goods purchased by mass retailers through middle men and importers far exceeds the volume of goods purchased by retailers dealing direct with the factory.

That is not to say that mass retailers have no control over the production process. Our control exists in two specific ways. First, we can and do exercise control by choosing our product suppliers, including middlemen and importers, with the utmost of care. Mass retailers insist that their suppliers meet their delivery dates, ensure product quality and many other factors that are important to maintaining quality control. Retailers also include the conditions I noted above in their contracts with their suppliers -- conditions demanding that labor standards be met.

However, our second and most effective control to ensure that the products we sell are not produced by children or exploited labor is our ability to cut off suppliers who exploit workers. When it comes right down to it, mass retailers have real control only over who they do business with. When suppliers violate binding agreements about the use and abuse of labor, the penalty is loss of the contract and all future business. A zero-tolerance program, exercised through the pocketbook, effectively sends the message to manufacturers, importers and other suppliers -- the people who do directly control what happens in the factories -- that failure to comply with our supplier codes will cost them our business.

To those who would say that it is unfair when a retailer chooses to terminate a relationship with a supplier who fails to meet our labor standards, we must urge them to reconsider. Mass retailers believe that exploiting workers in the first place is unfair.

Termination of a contract is our only real leverage to motivate the manufacturer to meet our standards and take action to ensure that workers are treated fairly.

There is a third way in which mass retailers arguably can control child labor, but it is only effective for those very few retailers -- the exception rather than the rule -- who are also manufacturers. That is monitoring. Retailers who are vertically integrated and therefore produce their own goods can probably set up useful monitoring operations. Those companies which own and control their own factories are in a position to implement and ensure enforcement of their codes of conduct. On the other hand, the vast majority of retailers who are not vertically integrated rely on an extremely vast array of suppliers and, as a consequence, cannot as effectively police their standards. Consider how many different products are sold at the typical mass retail store and then consider how many factories must be involved to produce this variety and quantity of goods. We're not talking about a few dozen factories, we are talking about thousands -- some of which are owned by well-recognized brand-name manufacturers.

Sometimes, retailers do visit foreign factories in cases where they are dealing direct (which is a minority of the time). In those cases, they personally educate the producers on their standards including those related to child labor. However, even if a retailer inspected a factory two or three times a year, it is doubtful that exploitation would

be found. The fact is that when suppliers and factories do exploit children, they don't do it in the open. In addition, suppliers regularly sub-contract production, and this fact is often not revealed to the ultimate purchaser. Retailers can never hope to trace every subcontract and often the most egregious violations of labor laws take place in the small subcontracting plant.

In the view of the mass retailers, ultimately, after the manufacturer, the job of monitoring belongs with the government, both U.S. and foreign. It's called law enforcement. So-called independent monitoring is fraught with its own set of problems. But the governments can enter factories unannounced and make spot inspections.

Developing countries recognize how potent our zero tolerance approach can be. Our refusal to do business with suppliers who exploit labor can severely impact developing countries' economies. These governments have an interest in stepping up enforcement actions and, we believe, many have done so. We urge the Department of Labor to fully explore the governmental role in curbing abuse.

In conclusion, IMRA members believe strongly that their actions promote the objective of ensuring that the goods sold in their stores are not produced in violation of child labor laws or reasonable codes of conduct. We have not shied away from the issue.

To the contrary, we have taken it on using the best leverage available to us - our business.

I appreciate this opportunity to comment on behalf of the Association and welcome any questions you might have.

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STATEMENT BY
WILLIAM J. MARONI
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FOR GOVERNMENT AFFAIRS & PUBLIC POLICY
LEVI STRAUSS & COMPANY



HEARING ON CHILD LABOR
BUREAU OF INTERNATIONAL LABOR AFFAIRS
U.S. DEPARTMENT OF LABOR

JUNE 28, 1996

Levi Strauss & Co. appreciates the opportunity to provide information about its global sourcing standards for the U.S. Department of Labor's study on child labor overseas. We share the agency's interest and concern about the use of abusive and exploitative child labor in the production of goods imported into the United States.

On behalf of our Company, I am pleased to contribute to your efforts by explaining both our *Global Sourcing & Operating Guidelines* and the extensive processes we have established to implement these standards worldwide.

Levi Strauss & Co.: World's Largest Apparel Manufacturer

Levi Strauss & Co. is the largest apparel manufacturer in the world, with more than 27,000 U.S. employees in 20 states. The majority of our U.S. work force is located in Arkansas, California, Georgia, Kentucky, Mississippi, New Mexico, North Carolina, Tennessee, Texas, and Washington. We produce and market jeans, jeans-related products, and casual sportswear under the Levi's®, Dockers®, Britannia®, and Slates® brands in the United States and more than 60 other countries. Our sales in 1995 exceeded \$7 billion.

The Company also uses approximately 450 sewing and finishing contractors in the United States and more than 50 other countries. In most cases, the majority of our products are manufactured in the geographical region where they are sold. Transportation costs, customer service issues, and market access make regional production advantageous.

At the same time, cost considerations make it necessary to manufacture some products in other countries. As you are aware, global trade in textiles and apparel is limited by quota restrictions. As a result, all apparel manufacturers must balance a variety of factors to remain competitive. These include such variables as delivery times, availability of fabric and production, quality requirements, transportation and labor costs, customer service, consumer preferences, content requirements and rules of origin, tariffs, and the additional cost of quotas.

In addition to raising costs, quotas limit the availability of materials and labor. Individual foreign producers "own" and control each foreign nation's allocation of quota. This results in a closed system of managed trade in which importers and manufacturers must rely upon a small number of producers in exporting countries. Thus, there is a limited choice of apparel contractors with whom we can conduct business.

Levi Strauss & Co.'s Guidelines: First Corporate Sourcing Standards

Levi Strauss & Co. established its *Global Sourcing & Operating Guidelines* in 1991. These were the first sourcing guidelines ever developed in any industry.

The impetus for the *Guidelines* came from within the Company. Levi Strauss & Co. has remained faithful to its historical commitment to socially responsible business practices. The Company seeks to do business in a responsible manner and has an exemplary record on issues ranging from work force diversity to benefits for workers.

As Levi Strauss & Co. grew to become a globally competitive manufacturer, we encountered new challenges in new markets. Employees and managers recognized that practices overseas were not always compatible with the Company's stated values and policies.

At times, diverse cultural, social, political and economic circumstances raised issues that could threaten our way of doing business and our corporate reputation. One such issue was the use of child labor among some garment manufacturers in exporting countries.

A Levi Strauss & Co. global task force, comprised of employees from different Company divisions throughout the world, was established to develop standards to help us deal with these challenges. Because there were no previous models, a wide range of ideas were solicited -- from United Nations agencies, international labor organizations, scholars, and human rights groups, some of whom are represented here today.

Levi Strauss & Co.'s *Guidelines* consist of two parts:

- 1) **Business Partner Terms of Engagement**, which deal with issues that are substantially controllable by Levi Strauss & Co.'s individual business partners and address:

- Ethical Standards
- Legal Requirements
- Environmental Requirements
- Community Involvement
- Employment Standards, including:
 - Wages and Benefits
 - Working Hours
 - Child Labor
 - Prison or Forced Labor
 - Health and Safety Conditions
in contractors' facilities
 - Discrimination
 - Disciplinary Practices

- 2) **Country Assessment Guidelines**, which examine issues beyond the control of individual business partners, and assess the degree to which our global reputation and commercial success may be influenced by country conditions. Such conditions include:

- Country Image and its impact on our Brands
- Health and Safety Conditions in a country
- Human Rights Environment
- Legal System
- Political, Economic, and Social Stability

When introduced in 1991, our *Global Sourcing & Operating Guidelines* were praised by Amnesty International, Freedom House, the Interfaith

Center for Corporate Responsibility, and our union partners. The Council on Economic Priorities presented Levi Strauss & Co. with America's Corporate Conscience Award for its leadership in establishing such standards. Today, our *Guidelines* reflect more than five years of experience, lessons learned, and the advice of many independent parties.

In general, our *Guidelines* are based on United Nations and International Labor Organization (ILO) conventions. For example, the Child Labor provisions of our *Guidelines* are based on ILO Convention Number 138.

In practice, this United Nations Convention is applied to Levi Strauss & Co.'s business partners in the following ways:

- 1) Our contractors only employ workers who meet the appropriate minimum legal age in the country concerned or are at least 14 years of age, whichever is greater.
- 2) Compliance with all applicable child labor laws, including recruiting, hiring, housing, wages, hours, overtime, and working conditions, are strictly enforced.
- 3) Contractors are encouraged to allow young workers the opportunity to attend educational instruction and to participate in work-study and vocational training programs.
- 4) Records for all workers must be maintained that verify each employee's date of birth, employment history, wages, and hours.

By setting the work age at 14 years, we believe this standard is reasonable, clear, and effective.

Implementation: A Comprehensive Effort

For Levi Strauss & Co., implementing our *Guidelines* is a comprehensive and resource-intensive effort. Our long-term goal in implementing the *Guidelines* is create positive results, not punitive actions. We do not seek to punish contractors for transgressions; rather, our aim is to attain sustained, systemic change.

We accomplish this by educating contractors and helping our employees to recognize that adhering to the **Guidelines**: 1) supports our Company's values and protects our reputation; and 2) makes good business sense.

For all countries where we operate and for all contractors with whom we do business, the Company conducts:

- 1) **Country Assessments**, including human rights conditions
- 2) **Terms of Engagement evaluations** of potential new contractors
- 3) **Terms of Engagement monitoring** of contractors on a regular basis
- 4) **Ongoing Education and Training** programs for employees and contractors
- 5) **Community Involvement** activities through local organizations
- 6) **Continuous Improvement** initiatives

Country Assessments:

The process of implementing our **Guidelines** begins when we first consider a country for sourcing. At that point, we conduct a Country Assessment, which includes an analysis of the human rights environment and labor practices.

We consult with a variety of sources in evaluating conditions in a foreign country, including human rights groups, activist organizations, government agencies, and religious, political, and labor leaders. In particular, Levi Strauss & Co. has found the Department of Labor's Report, *By the Sweat and Toil of Children: The Use of Child Labor in American Imports*, to be extremely valuable in alerting us to areas where child labor may be a problem. In addition, country assessments are updated on a periodic basis to take into account changing conditions.

Terms of Engagement Evaluations:

Prior to initiating any business relationship, Levi Strauss & Co. undertakes a rigorous Terms of Engagement evaluation of potential business partners. These evaluations are conducted by a team of employees representing different divisions in the Company. A member of the group is one of our Company's 50 specially-trained auditors.

The Terms of Engagement evaluation itself requires at least one full day or more to complete. Company auditors use a detailed 20-page form to evaluate the policies, practices, and conditions of contractors. The evaluation ranges from a careful review of payroll, personnel, and other records, to checking health and safety conditions, such as adequate fire exits.

In addition, the team relies upon unannounced visits, advice from outside organizations and community leaders, and interviews with workers both on site and away from the contractor's facilities. These methods help provide a full picture of potential contractors' adherence to the Terms of Engagement standards.

The Terms of Engagement evaluation is a diagnostic tool. It enables us to determine which potential contractors are clearly undesirable business partners.

Evidence of child labor, forced labor, unethical or illegal behavior, or working conditions that pose a danger to employees would clearly indicate an undesirable business partner, and we would not do business with such a contractor. For example, we recently chose not to enter a business relationship with a contractor in Canada who refused to make the kinds of improvements we require.

Terms of Engagement Monitoring:

Follow-up Terms of Engagement evaluations are conducted at least once a year. In some cases, we conduct formal evaluations on a much more frequent basis, for example, quarterly. Most importantly, in the normal course of performing their jobs, Levi Strauss & Co. employees visit contractors on a regular basis to review quality, production processes, and Terms of Engagement issues.

These standards are an integral part of our business, and Company employees have the authority -- and the responsibility -- to take any steps necessary to ensure compliance with all standards and policies.

In many cases, we are able to work with our business partners to identify and address issues before they become problems. This is because our

employees and business partners know that our Company's most valuable assets -- our corporate reputation, the integrity of our brands, and the expectations of our consumers -- depend upon this open, honest, and cooperative approach.

This model is based on partnership and is producing sustained changes in diverse nations. Our contractors willingly make investments and improvements in their facilities because they want Levi Strauss & Co. to be a long-term business partner.

Ongoing Education and Training:

A key to this partnership approach is ongoing education and training. Levi Strauss & Co. conducts annual global training programs for its Terms of Engagement audit managers. This week, Levi Strauss & Co. is completing a five-day training program in the Dominican Republic for its Terms of Engagement auditors and sourcing managers from around the world.

We also continuously educate other Company employees -- including merchandisers, contract managers, general managers in the sourcing countries, and other personnel at every level of the organization. In addition to one-on-one meetings with contractors, Levi Strauss & Co. also conducts educational seminars for groups of contractors.

The foundation of Levi Strauss & Co.'s implementation program is its people. Unlike most retailers, wholesalers, and importers, our Company has a global infrastructure of resources and people in the communities where we do business. These Levi Strauss & Co. employees know the local cultures, communicate with community and civic organizations, and understand our Company's values.

Community Involvement:

Levi Strauss & Co. has also worked to address complex issues beyond the walls of our contractor factories. Through its community grant-making program, our Company has supported a variety of initiatives in the communities where we conduct business.

Some examples of our community involvement include youth education and recreation programs in the United States; economic development programs for women in Mexico, Indonesia, and Pakistan; HIV/AIDS education programs in the Dominican Republic and Indonesia; and child care and pre-natal health services in Guatemala.

Continuous Improvement:

Since establishing our *Guidelines* in 1991, Levi Strauss & Co. has been committed to the principle of continuous improvement. We continue to seek advice and assistance from sources who have a reputation for honest, accurate, and fair work. These groups and individuals share our goal of seeking workable solutions, rather than assigning blame. At various times, U.S. embassies, foreign government officials, our major union, trade associations, journalists, human rights activists, and religious groups have been valuable allies.

By working with various parties, we have improved our ability to verify facts, craft new solutions, and strengthen implementation of our standards. Our *Guidelines* state:

"Levi Strauss & Co. is committed to continuous improvement in the implementing of its *Global Sourcing & Operating Guidelines*. As we apply these standards throughout the world, we will acquire greater experience. As has always been our practice, we will continue to take into account all pertinent information that helps us better address issues of concern, meet new challenges, and update our tools, methods, and *Guidelines*."

Results:

Our implementation of the *Global Sourcing & Operating Guidelines* has produced tangible results. Since establishing these standards, about 70 percent of our contractors are in compliance with our Terms of Engagement; 25 percent have made or are making required improvements:

and 5 percent have been terminated due to poor personnel practices, use of child labor, health and safety conditions, trademark violations, or a refusal to make the improvements we seek.

Some of the changes our contractors have implemented as a result of our Terms of Engagement are:

- Ending the use of child labor
- Improving overall workplace safety; e.g. safe storage of chemicals, installation of new electrical wiring, addition of emergency exits and staircases, etc.
- Enforcing the right to free association
- Improving working conditions and productivity by installing new lighting, improved ventilation, and more modern restroom facilities
- Expanding useable work space to reduce crowding and ergonomic-related injuries
- Installing water treatment systems

Complexity of the Child Labor Issue

While Levi Strauss & Co. has devoted extensive resources to successfully implement its ***Guidelines***, there are no easy solutions to the problem of child labor. While most businesses would agree that children should not be employed in exploitative situations, there are few clearly accepted standards to define what constitutes exploitative child labor. In addition, laws and enforcement practices vary widely among foreign countries, and most developing nations' have broad exceptions that can render their standards meaningless.

To complicate the issue further, some countries have compulsory school requirements, while others, like India, do not. Thus, a myriad of policies and practices in a nation can contribute to the severity of the problem and define the potential for solutions.

Contributing factors include the presence of schools, teachers and educational resources; social programs and family support mechanisms; economic development incentives and employment opportunities for adults; and family planning and population policies.

It should also be noted that there is no consensus among business, child advocacy groups, and governments about how to reduce or eliminate child labor. Some argue that limited resources should be used to uncover child labor abuses among contractors, subcontractors, or sub-subcontractors. These individuals believe that responsibility must be assumed throughout the entire supply chain, including producers of raw materials.

Others believe that the primary effort should be to rescue children from abusive environment. Still others want governmental and non-governmental groups to help change community attitudes toward child labor in countries where it is most prevalent, to build schools, encourage foreign investment and job creation for adult workers, or create a safety net of social programs targeted to children and families. Finally, there is even a debate among some non-governmental organizations over whether child labor should be reduced over time through regulations and reforms, or eradicated immediately through strict prohibitions.

Despite these complexities, Levi Strauss & Co. believes that business has a duty to seek voluntary solutions. To avoid the morass of conflicting laws, exceptions, and accepted practices of other countries, our Company has chosen to base its child labor standard on United Nations Convention Number 138, as outlined earlier in this statement.

Levi Strauss & Co.'s Experience in Bangladesh

Levi Strauss & Co. is still learning how to respond more effectively to the complex issue of child labor. The following example illustrates our experience in this area:

In Bangladesh, our initial Terms of Engagement evaluations revealed that some underage girls were working in two contractors' facilities.

Rather than simply discharge the girls, which would have put the children and their families at risk of abuse, exploitation, economic hardship, or crime, Levi Strauss & Co. managers worked with the contractors to develop an innovative solution.

Our Company agreed to pay for tuition, books, and uniforms for the girls to attend school. Upon reaching the compulsory school age limit, the contractors pledged to offer the girls the opportunity to return to their jobs at the factory. In addition, the contractors sought to replace the underage workers with relatives in an effort to maintain a stable income for these families.

This example illustrates the complex nature of the problem and the need to encourage business to be flexible in developing innovative approaches at the factory level.

Addressing the Problem: Going Beyond Business

In Bangladesh, we were able to take a significant step toward addressing the problem of child labor because we had established a working relationship and partnership with our contractors. However, we all know that the problem of child labor is too large and complex for business to address alone. Business has an important role to play, but other social and political institutions must contribute.

Again, Bangladesh offers an example of how multiple organizations can act in concert to help address the issue of child labor.

Based upon Levi Strauss & Co.'s successful program to address child labor in its contractor facilities, a number of organizations sought to craft a similar solution for the entire Bangladesh garment industry. The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) worked with the U.S. Embassy, the International Labor Organization (ILO) and the United Nations Children's Emergency Fund (UNICEF) to create an agreement to end child labor in the Bangladesh garment industry in October 1995.

These organizations established a work-to-school transition program that was patterned after the Levi Strauss & Co. experience, with funding from the BGMEA, UNICEF, and the U.S. Government.

Conclusion

In 1991, Levi Strauss & Co. was the first company to develop a set of sourcing guidelines. Since that time, we have devoted substantial resources to implement these standards with hundreds of contractors around the world. These efforts have been built on the philosophy that education and partnership will achieve our goals most effectively. Our results to date support this approach.

Ending child labor and improving working conditions is not a simple task. The issues are complex. They demand flexibility, innovation, and persistence, not quick fixes, slogans or labels. Moreover, business cannot do it alone.

Responsibility for eliminating child labor rests with many institutions, including governments, non-governmental organizations, religious groups, community leaders, families, and business. Multinational companies can help to set an example, take part in a variety of constructive steps, and establish voluntary partnerships with other concerned players and organizations.

Our Company is currently working with a variety of groups, such as Business for Social Responsibility and the Council on Economic Priorities to explore cost-efficient ways to define and meet achievable codes of conduct. It is clear to us that more must be done to demonstrate that sourcing standards are useful, workable, affordable, and good business. This is a necessity if we truly hope to improve the working conditions of large numbers of people in various industries throughout the world.

Levi Strauss & Co. remains committed to continuous improvement in the implementation of our own *Guidelines*. We are currently engaged in discussions with other companies and organizations interested in strengthening voluntary corporate codes of conduct.

Finally, we want to share our experience with other concerned businesses. As I have stated, the issue of child labor does not lend itself to a "one-size-fits-all" solution. Each company must decide for itself what role, methods and activities are most appropriate. Solutions will vary depending upon the size of a firm, its relative influence in a community, and by type of industry.

Nevertheless, we believe the investment that Levi Strauss & Co. has made to develop and implement sourcing standards can and should benefit others who are seeking a constructive role.

In this regard, our Company is pleased to be participating in the Department of Labor's upcoming "Fashion Industry Forum" on July 16. We believe that this event and others like it will encourage more organizations to contribute voluntarily to help end child labor. This is an appropriate and valuable role for government.

Levi Strauss & Co. commends this agency's commitment to this issue and looks forward to continuing to work with you and the Labor Secretary.

LEVI STRAUSS & CO.

GLOBAL SOURCING &

OPERATING GUIDELINES



Levi Strauss & Co. seeks to conduct its business in a responsible manner.

We believe this is an important element of our corporate reputation which contributes to the strength of our commercial success. As we expand our marketing activities abroad, and work with contractors and suppliers throughout the world to help meet our customers' needs, it is important to protect our Company's reputation in selecting where and with whom to do business.

Levi Strauss & Co.'s **Global Sourcing & Operating Guidelines** include two parts: the **Business Partner Terms of Engagement**, which address workplace issues that are substantially controllable by individual business partners; and the **Country Assessment Guidelines**, which address larger, external issues beyond the control of individual business partners.

Business Partner Terms Of Engagement

The Terms of Engagement are tools that help protect Levi Strauss & Co.'s corporate reputation and, therefore, its commercial success. They assist us in selecting business partners that follow work place standards and business practices consistent with our Company's policies. As a set of guiding principles, they also help identify potential problems so that we can work with our business partners to address issues of concern as they arise.*

Specifically, we expect our business partners to operate work places where the following standards and practices are followed:

1. ETHICAL STANDARDS

We will seek to identify and utilize business partners who aspire as individuals and in the conduct of all their businesses to a set of ethical standards not incompatible with our own.

2. LEGAL REQUIREMENTS

We expect our business partners to be law abiding as individuals and to comply with legal requirements relevant to the conduct of all their businesses.

3. ENVIRONMENTAL REQUIREMENTS

We will only do business with partners who share our commitment to the environment and who conduct their business in a way that is consistent with Levi Strauss & Co.'s Environmental Philosophy and Guiding Principles.

4. COMMUNITY INVOLVEMENT

We will favor business partners who share our commitment to contribute to improving community conditions.

**Business partners are contractors and subcontractors who manufacture or finish our products and suppliers who provide raw materials used in the production of our products. We have begun applying the Terms of Engagement to business partners involved in manufacturing and finishing, and plan to extend their application to suppliers.*

5. EMPLOYMENT STANDARDS

We will only do business with partners whose workers are in all cases present voluntarily, not put at risk of physical harm, fairly compensated, allowed the right of free association and not exploited in any way. In addition, the following specific guidelines will be followed:

- **Wages and Benefits:** We will only do business with partners who provide wages and benefits that comply with any applicable law and match the prevailing local manufacturing or finishing industry practices.
- **Working Hours:** While permitting flexibility in scheduling, we will identify prevailing local work hours and seek business partners who do not exceed them except for appropriately compensated overtime. While we favor partners who utilize less than sixty-hour work weeks, we will not use contractors who, on a regularly scheduled basis, require in excess of a sixty-hour week. Employees should be allowed at least one day off in seven.
- **Child Labor:** Use of child labor is not permissible. Workers can be no less than 14 years of age and not younger than the compulsory age to be in school. We will not utilize partners who use child labor in any of their facilities. We support the development of legitimate workplace apprenticeship programs for the educational benefit of younger people.
- **Prison Labor/Forced Labor:** We will not utilize prison or forced labor in contracting relationships in the manufacture and finishing of our products. We will not utilize or purchase materials from a business partner utilizing prison or forced labor.
- **Health & Safety:** We will only utilize business partners who provide workers with a safe and healthy work environment. Business partners who provide residential facilities for their workers must provide safe and healthy facilities.
- **Discrimination:** While we recognize and respect cultural differences, we believe that workers should be employed on the basis of their ability to do the job, rather than on the basis of personal characteristics or beliefs. We will favor business partners who share this value.
- **Disciplinary Practices:** We will not utilize business partners who use corporal punishment or other forms of mental or physical coercion.

Country Assessment Guidelines

The diverse cultural, social, political, and economic circumstances of the various countries where Levi Strauss & Co. has existing or future business interests raise issues that could subject our corporate reputation and therefore, our business success, to potential harm. The Country Assessment Guidelines are intended to help us assess these issues. The Guidelines are tools that assist us in making practical and principled business decisions as we balance the potential risks and opportunities associated with conducting business in a particular country.

In making these decisions, we consider the degree to which our global corporate reputation and commercial success may be exposed to unreasonable risk. Specifically, we assess whether the:

BRAND IMAGE would be adversely affected by a country's perception or image among our customers and/or consumers;

HEALTH AND SAFETY of our employees and their families, or our Company representatives would be exposed to unreasonable risk;

HUMAN RIGHTS ENVIRONMENT would prevent us from conducting business activities in a manner that is consistent with the Global Sourcing Guidelines and other Company policies;

LEGAL SYSTEM would prevent us from adequately protecting our trademarks, investments or other commercial interests, or from implementing the Global Sourcing Guidelines and other Company policies; and

POLITICAL, ECONOMIC AND SOCIAL ENVIRONMENT would threaten the Company's reputation and/or commercial interests.

In making these assessments, we take into account the various types of business activities and objectives proposed (e.g., procurement of fabric and sundries, sourcing, licensing, direct investments in subsidiaries) and, thus, the accompanying level of risk involved.

Levi Strauss & Co. is committed to continuous improvement in the implementation of its Global Sourcing & Operating Guidelines. As we apply these standards throughout the world, we will acquire greater experience. As has always been our practice, we will continue to take into consideration all pertinent information that helps us better address issues of concern, meet new challenges and update our Guidelines.

**Testimony of Anne Knipper
International Child Labor Public Hearings
U.S. Department of Labor
June 28, 1996**

Mr. Chairman, I am pleased to be here today to present the views of the AFL-CIO on the vital issue of child labor. As you know, the AFL-CIO has been active in gathering information, participating in coalitions and implementing programs in the fight against child labor exploitation.

Today, my remarks will be restricted to three of the items on this hearing's agenda:

- o International agreements and U.S. laws that might be used to encourage the elimination of child labor exploitation.
- o The necessary components of an enforceable code of conduct.
- o Efforts aimed at eliminating the use of abusive and exploitative child labor in the production of goods imported into the U.S.

Background

A recent ILO report states "In manufacturing industries, children are most likely to be employed when their labor is less expensive or less troublesome than that of adults,

when other labor is scarce and when they are considered irreplaceable by reason of their size or perceived dexterity."

Children do not possess any special qualities or skills as workers that adults do not possess, nor are child workers indispensable in any manufacturing process. It is no coincidence that in countries and sectors where child labor is rampant, you often also find a large unemployed or underemployed adult workforce and a suppressed trade union movement. Strong and independent trade unions are the best way to ensure there is no child labor in the workplace.

Laws to Leverage the Elimination of Child Labor

There are a number of international agreements and U.S. laws which are designed to bring about the elimination of exploitative child labor. Many governments but not the U.S. have ratified the Convention on the Rights of the Child which came into force in 1990. Article 32 of this Convention says "States parties shall take legislative, administrative, social and educational measures to ensure the implementation of the

present article....States Parties shall in particular (a) provide for a minimum age or ages for admission to employment; (b) provide for appropriate regulation of the hours and conditions of employment; and (c) provide for appropriate penalties or other sanctions to ensure the effective enforcement of the present article." In addition, ILO Convention 138 on a Minimum Age for Admission to Employment has also been ratified by numerous governments. Although these two international conventions have the force of law, they lack penalties and remedies.

U.S. law also addresses the problem of child labor. There are a number of U.S. trade statutes including the Generalized System of Preferences (GSP), the Caribbean Basin Initiative (CBI), and the Andean Trade Pact which are designed to encourage the elimination of child labor.

The Administration should use these tools to ensure that countries enforce their own laws. Recent experience has been positive. Several Latin American countries have begun adopting new laws or increasing enforcement of existing laws which require

companies to comply with their labor code which addresses child labor in order to export their goods. Most recently, the government of El Salvador amended its export law to protect the rights of workers in the maquila industry. Under the new law, the government is able to punish flagrant violators with fines and temporary suspension or eventual loss of tax and duty-free benefits extended to free zone investors.

El Salvador joins a growing list of Caribbean Basin countries that have taken such steps. The Dominican Republic, Guatemala and Honduras employ this type of enforcement. However, it is still too early to judge its impact on workers.

Necessary Components of An Effective Code of Conduct

Business and industry codes of conduct can be an important element to combat exploitative child labor. International codes for multinational corporate conduct have been adopted by the ILO and the OECD. The AFL-CIO recognizes, however, that even the best voluntary codes of conduct -- whether those of international institutions or individual corporations -- cannot substitute for effective governmental enforcement of

international labor standards.

Nevertheless, beyond rhetorical support for worker rights and standards, we believe that there are three essential characteristics of an effective code of conduct. It must be transparent, enforced and applied throughout the production process.

To be transparent, the code must be public and available to all interested parties. The code must be translated into the language of the workers and if necessary, read aloud. The process and outcome of monitoring must also be public.

Companies must be held accountable at every stage of production. Enforcement of the code must include third-party monitoring and verification. Simply signing a memorandum of agreement or posting a corporate code of conduct in a factory (whether owned by the company, supplier or contractor) is not effective.

Retailers must take an active role. Just as they ensure that the design and quality of what is produced meets a certain standard, they can also ensure that the conditions under which production takes place conform with international standards. It is regrettable

that retailers often seek to avoid responsibility for what occurs in the factories of their subcontractors. For example, Liz Claiborne and J.C. Penney who source in Pakistan can claim they enforce their codes because the codes do not specifically apply to their Pakistani subcontractors. Reebok is planning to open its own factory in a joint venture in Pakistan. Reebok has stated that this is the only way to ensure no child labor is utilized in production. Nonetheless, we urge Reebok to use third-parties to monitor this factory. We believe that governments and companies need third parties -- trade unions or NGOs -- to perform the monitoring functioning.

Company and NGO Efforts

There are a number of efforts by trade unions, NGOs, industry and international organizations which deserve mention. In order to prevent and eliminate child labor, many different elements must be used simultaneously.

One example is in Nepal, where a coalition of trade unions, local NGOs, carpet makers, governmental bodies and international organizations agreed to implement the

RUGMARK/Nepal labeling program and a child worker welfare program. The rehabilitation program provides a limited number of former carpet weavers non-formal education and vocational training.

The role of this program in Nepal underscores another important consideration in the fight against child labor. The costs associated with schooling, if schools are available, are prohibitive. Many families cannot afford the books, uniforms, and food required to send children to school. To combat this aspect of the program, some organizations have addressed these most basic needs. For example, the Starbucks Foundation reportedly plans to buy shoes for children in Sulawesi, Indonesia. Without shoes, the children would not be able to attend school.

Conclusion

The conditions and forms of child labor vary from country to country, from sector to sector. Any successful program for the prevention and elimination of child labor must be a collaborative effort involving trade unions and non-governmental organizations,

international organizations including the International Labor Organization, UNICEF and the World Bank, government agencies and the private sector.

The AFL-CIO believes that all avenues available should be used to eliminate exploitative child labor. In addition to what has been discussed, we are convinced that the enactment of the proposed Harkin-Frank bill which restricts the import of products made with child labor is necessary. U.S. citizens do not want to purchase products made with child labor. Here, government has a vital role to play. We urge Administration support for this bill and speedy Congressional adoption.

Thank you.

TESTIMONY OF
ABRAHAM KATZ
PRESIDENT
UNITED STATES COUNCIL FOR INTERNATIONAL BUSINESS

AT A HEARING ON CHILD LABOR
AT THE U.S. DEPARTMENT OF LABOR
WASHINGTON, D.C.
FRIDAY, JUNE 28, 1996

I am Abraham Katz, President of the United States Council for International Business, which is the U.S. affiliate of the International Organisation of Employers (IOE). The IOE represents employers in the International Labor Organization (ILO), the primary international agency addressing the issue of child labor. As a result of intense discussions in the Governing Body of that organization, a Working Party on the Social Dimension of the Liberalization of International Trade assigned the issue of child labor to the Employment and Social Policy Committee of the Governing Body, of which I am the Employer Vice Chairman. That Committee examined the issue of child labor in March of 1995 on the basis of an excellent paper by the Secretariat of the ILO.

On June 3 of this year the General Council of the International Organisation of Employers, over which I presided, passed a resolution on child labor and the Annual Conference of the International Labor Organization passed a resolution on the same subject.

I cite these efforts to assert that the world's organized business community, as represented by the IOE, the tripartite International Labor Organization representing governments, trade unions and employers, the Secretariat of the ILO and its very effective International Program on the Elimination of Child Labor (IPEC) are all in agreement on certain basic points:

- Child labor is to a great extent caused by poverty and that the long-term solution lies in sustained economic growth leading to poverty elimination and universal education.
- Nevertheless, all segments of society--governments, employers, workers and their organizations--should work actively for the progressive elimination of child labor. I stress the words "progressive elimination." There is clear, shared understanding that this is a complex problem that requires long-term action tailored to individual national circumstances.
- However, there is also clear agreement on the need to immediately proceed with the abolition of the most intolerable aspects, namely, the employment of children in slave-like and bonded conditions, and in dangerous and hazardous work, including the exploitation of very young children and the commercial sexual exploitation of children.
- There is agreement and clear understanding that solutions which put children out of work without providing an alternative means of livelihood for them and their families can place the children concerned in a worse situation. All segments of society are urged to translate child labor policies into action plans and to implement them, taking care, and I stress "taking care," to ensure that the situations of the children and their families are improved as a result.

In pursuit of this generally agreed approach, the resolution of the International Organisation of Employers called on employers and their organization to undertake, plan

and implement actions to translate this strategy into reality. In particular, the IOE resolution called on employers and their organizations to:

- a. Raise awareness of the human cost of child labor as well as its negative economic and social consequences.
- b. Put an immediate end to slave-like, bonded and dangerous forms of child labor while developing formal policies with a view to its eventual elimination in all sectors.
- c. Translate child labor policies into action plans at the international, national, industry, and enterprise levels.
- d. Implement the plans, taking care to ensure that the situation of the children and their families is improved as a result.
- e. Support activities targeted at working children and their families, such as the establishment of day care centers, schools, and training facilities, including training of teachers, and initiate such activities wherever possible.
- f. Encourage and work with local and national government authorities to develop and implement effective policies designed to eliminate child labor.
- g. Promote access to basic education and primary health care, which are crucial to the success of any effort to eliminate child labor.

Recognizing that many individual companies and employer organizations have developed creative approaches to the problem such as identifying the underaged workers, reducing their hours, creating educational facilities for them, improving working

conditions, etc., the resolution called on the IOE Executive Committee to:

- a. Create a database on companies and organizations active in combating child labor.
- b. Develop and distribute an Employer Handbook addressing child labor.
- c. Receive periodic reports from the IOE membership on their initiatives and other developments in the area of child labor.
- d. Report to the General Council on an annual basis as to work done in combating child labor.

It is hoped that the exchange of best practices that will be incorporated in this Employer Handbook will disseminate among all employers and their organizations the creative approaches to this problem which may then be adapted to local or company circumstances. Such a best practices handbook would also serve to stimulate newer and more imaginative approaches to local problems. As one of the key people in a company known for its creative approaches to the problem for many years told me, "we are constantly learning from experience."

It was clearly the view of the International Organisation of Employers that trade measures of any sort should not be used to deal with this problem. Whether such measures are the product of legislation or well-meaning activist efforts such as labeling schemes or consumer boycotts, the results could be disastrous for the children affected. There are cases in which contracting companies under the threat of action in importing countries emptied their factories of children who were put on the street with no recourse but to engage in prostitution, begging, or at best work in far less-favorable conditions.

It is clear that no one-solution-fits-all-problems approach can deal constructively with this complex issue. The organized employers community believes that this issue is best tackled through cooperation, example, and sympathetic assistance on the ground rather than politically-motivated coercion on the part of wealthy importing countries.

GENERAL COUNCIL
OF
THE INTERNATIONAL ORGANISATION OF EMPLOYERS
RESOLUTION ON CHILD LABOUR

The General Council of the International Organisation of Employers,

Having met in Geneva on 3 June 1996 for its 73rd ordinary session,

Considering that one of the most disturbing aspects of poverty is the necessity for poor families to rely on the labour of their children,

Considering that although the problem is complex and requires long-term action for its prevention and progressive elimination, its most intolerable aspects, namely the employment of children in slave-like and bonded conditions and in dangerous work, must be abolished immediately and unconditionally,

Concerned that children without education are denied opportunities to develop their full potential and can constrain the social and economic development of their countries,

Aware that the long-term solution to the problem lies in sustained economic growth leading to social progress, in particular poverty alleviation and universal education,

Noting that although the solution to the problem requires the active and coordinated involvement of society as a whole, with government playing a critical role through its development plans and special education programmes, the business community has a significant contribution to make,

Noting that while enterprises and business organisations, along with other groups in society, are concerned about child labour and have adopted policies and taken action to improve the situation of working children, further concerted action is required,

Recognising that the positive actions taken by employers have not been adequately acknowledged and in some cases employers have been subject to unfair accusations,

Noting that simplistic solutions, which can merely throw children out of work without providing alternative means of livelihood for them and their families, often put the children concerned in a worse situation,

Further concerned that attempts to link the issue of working children with international trade and to use it to impose trade sanctions on countries where the problem of child labour exists are counter-productive and jeopardize the welfare of children,

Resolves this 3rd day of June 1996 to:

1. **Call on employers and their organisations to:**
 - a. **Raise awareness of the human cost of child labour as well as its negative economic and social consequences.**
 - b. **Put an immediate end to slave-like, bonded and dangerous forms of child labour while developing formal policies with a view to its eventual elimination in all sectors.**
 - c. **Translate child labour policies into action plans at the international, national, industry, and enterprise levels.**
 - d. **Implement the plans, taking care to ensure that the situation of the children and their families is improved as a result.**
 - e. **Support activities targeted at working children and their families, such as the establishment of day care centres, schools, and training facilities, including training of teachers, and initiate such activities wherever possible.**
 - f. **Encourage and work with local and national government authorities to develop and implement effective policies designed to eliminate child labour.**
 - g. **Promote access to basic education and primary health care, which are crucial to the success of any effort to eliminate child labour.**
2. **Call on the IOE Executive Committee to:**
 - a. **Create a database on companies and organisations active in combatting child labour.**
 - b. **Develop and distribute an Employer Handbook addressing child labour.**
 - c. **Receive periodic reports from the IOE membership on their initiatives and other developments in the area of child labour.**
 - d. **Report to the General Council on an annual basis as to work done in combatting child labour.**

Geneva, 3 June 1996.

Resolution submitted to the Conference

Resolution concerning the elimination of child labour

The General Conference of the International Labour Organization,

Recalling the Convention on the Rights of the Child adopted by the United Nations General Assembly on 20 November 1989 and the commitment shown by an unprecedented number of States that have become signatories and parties to it,

Recalling also the commitments of governments made at the World Summit for Social Development (Copenhagen, 1995) inter alia, to safeguard and promote the respect of basic rights and interests of workers, including the prohibition of forced and child labour,

Further recalling the resolution concerning the International Year of the Child and the Progressive Elimination of Child Labour and Transitional Measures adopted at the 65th Session of the International Labour Conference in 1979,

Recalling the ILO Minimum Age Convention, 1973 (No. 138) and the Forced Labour Convention, 1930 (No. 29), and the Minimum Age Recommendation, 1973 (No. 146),

Welcoming the decision of the Governing Body to include child labour on the agenda of the 1998 Conference Session as a subject for standard setting,

Recalling that the protection of children is among the Organization's priority objectives,

Considering that the exploitation of children is a gross violation of their human rights and is against the principles of social justice,

Expressing concern that despite the fact that virtually every country has laws prohibiting child exploitation, the problem still exists and the incidence of child labour continues,

Underlining the shared responsibility of governments, employers, workers and their organizations and society at large to work for the progressive elimination of child labour. In this context, stressing the need to immediately proceed with the abolition of its most intolerable aspects, namely the employment of children in slave-like and bonded conditions and in dangerous and hazardous work, the exploitation of very young children, and the commercial sexual exploitation of children,

Recognizing that child labour is to a great extent caused by poverty and that the long-term solution lies in sustained economic growth leading to social progress, in particular poverty alleviation and universal education,

Noting that although the solution to the problem requires the active and coordinated involvement of society as a whole, governments, through development plans and special education programmes, have a critical role to play,

Noting that while many governments have adopted policies and taken action towards the elimination of child labour, solutions which put children out of work without providing an alternative means of livelihood for them and their families, can place the children concerned in a worse situation,

Noting that many children are put to work at a very young age or in conditions which are exploitative and hazardous and that this hinders their steady physical and mental development, depriving them of an education and thereby also constraining the social and economic development of their countries,

Noting that the practice of employing child labour often takes place outside of lawfully established enterprises governed by appropriate legislation and is widely prevalent in the informal and rural sectors and, in some cases, among illegal activities,

Recognizing the growing number of enterprises, foundations, and trade associations that have, on a voluntary basis and in response to consumer and society concerns, developed initiatives aimed at the elimination of child labour,

Welcoming the increased involvement of the ILO in the fight against child labour, including the launching of the International Programme on the Elimination of Child Labour (IPEC),

Underlining the contribution that the ILO can make to the open-ended inter-sessional working group of the United Nations Commission on Human Rights for the elaboration of a draft optional protocol to the Convention on the Rights of the Child relating to the sale of children, child prostitution, and child pornography,

Underlining also the contribution which the ILO can make to international conferences and meetings on the commercial sexual exploitation of children, such as the world congress to be hosted by the Government of Sweden in August 1996,

Welcoming the ILO's active participation in international conferences on child labour, such as those organized by the Governments of the Netherlands and Norway in February 1997 and October 1997 respectively;

1. Invites governments and, where appropriate, employers' and workers' organizations to:
 - (a) translate their commitment to the progressive and effective elimination of child labour into concrete action and, where this has not yet been done, consider the ratification and implementation of all relevant international instruments concerning child labour;
 - (b) participate actively in the preparatory work and discussions that will be held on child labour as a subject for standard setting at the 86th Session (1998) of the International Labour Conference;
 - (c) develop formal policies and set priorities so as to immediately proceed to put an end to the most intolerable aspects of child labour, namely the employment of children in slave-like and bonded conditions and in dangerous and hazardous work, the exploitation of very young children, and the commercial sexual exploitation of children;
 - (d) enact and give full effect to national legislation that prohibits the exploitation of children at work;
 - (e) formulate and implement educational and developmental policies essential for the elimination of all forms of child labour, in particular those aimed at providing employment for parents of working children and facilitating the transition of working children from work to school;
 - (f) initiate activities targeted at working children and their families such as the establishment of day-care centres, schools and training facilities;
 - (g) promote access to basic education for girls and boys alike on an equal basis, which is crucial to the success of any effort to progressively eliminate child labour;

- (h) allocate resources to develop education, including compulsory primary education accessible to all, vocational training and guidance;
 - (i) allocate resources to establish systems of primary health care, rehabilitation and support so that children can stop working;
 - (j) translate child labour policies into action plans and implement them, taking care to ensure that the situations of the children and their families are improved as a result;
 - (k) raise public awareness of the human and economic cost as well as the long-term non-viability of using child labour;
 - (l) encourage employers' and workers' organizations to develop policies and adopt voluntary guidelines that aim to eliminate the use of child labour;
 - (m) report regularly to the International Labour Office on progress achieved towards the elimination of child labour;
 - (n) work with relevant international organizations in seeking the immediate elimination of the most intolerable forms of child labour;
 - (o) continue supporting and funding programmes that seek to eliminate child labour starting with its most intolerable forms, targeted at working children as well as their families, in particular the ILO's International Programme on the Elimination of Child Labour, and to actively participate in international fora that address the issue of child labour;
 - (p) strengthen international cooperation machinery to help countries which adopt programmes aimed at eliminating child labour to implement these programmes.
2. Invites the Governing Body of the ILO to instruct the Director-General to:
- (a) assist member States, upon request, through advisory services and technical cooperative activities, in their efforts to ratify and implement relevant ILO Conventions as well as in their efforts to adopt and implement national legislation on the elimination of child labour;
 - (b) undertake studies and in-depth research on child labour, including the compilation of statistical data on the extent of the problem, and disseminate information on this issue;
 - (c) use all of the ILO's means of action, particularly its technical cooperation programme, to support the efforts of member States for education and enterprise development, job creation and poverty eradication programmes and effective application of the laws relating to child labour;
 - (d) continue to seek expanded funding for ILO's International Programme on the Elimination of Child Labour and ensure that the programme remains a priority for the ILO, which should be reflected in regular budget allocations;
 - (e) work more closely with other international organizations on programmes whose goals are to eliminate child labour starting with its most intolerable forms;
 - (f) present proposals on the convening of an international conference on the elimination of child labour at an appropriate stage;
-
- (g) report regularly to the Governing Body on the ILO's activities and progress in the area of the elimination of child labour.



Interfaith Center on Corporate Responsibility

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25 years of Leadership

International Child Labor Public Hearing

U.S. Department of Labor

Washington, D.C.

June 28, 1996

The Rev. David M. Schilling

Director, Global Corporate Accountability Program

Interfaith Center on Corporate Responsibility

Each week brings new items to the public's attention: a twelve-year old worker in Pakistan's soccer ball industry earning about \$.60 a day; an Indonesian child making shoes for Nike being paid \$2.30 a day; children under 14 years of age working in factories in Honduras where garments are made for prominent U.S. retail chains; Mexican workers employed by Zenith who are forced to choose between buying food or paying the rent because of the company's poverty level wages.

As the global marketplace expands, U.S. corporations must answer the question: What values and standards should guide their operations and the operations of their partners in diverse countries and cultures? In an interconnected world where U.S. consumers learn quickly of child labor conditions in sweatshops half way round the world through the Internet or the evening news, U.S. companies and their contract suppliers must address exploitative employment conditions that will not be tolerated by a growing number of socially aware consumers and investors. According to a survey released by Marymount University in November 1995, more than three-fourths of Americans would avoid shopping at stores if they were aware that the stores sold goods made in sweatshops.

Global companies face a new set of issues that go well beyond their traditional business focus. Corporations must deal with global concerns about human rights, living wages and safe working conditions, child and forced labor, the environment and sustainable community development.

'Inspired by faith, committed to action'

One tool to address these concerns in a systematic way is a comprehensive company code of conduct that applies worldwide. There is open debate about how effective company codes are. If a code is created as a public relations gesture and is not rooted in the core values and practices of a company, clearly it will have little positive affect on its employment practices. But, if a company puts substantial resources and resolve into creating its global code building true partnerships among all who have a stake in the health and well-being of the communities where it operates, then codes can prove to be an effective tool for overcoming sweatshop conditions at home and abroad.

The Interfaith Center on Corporate Responsibility, a coalition of 275 Protestant, Roman Catholic and Jewish institutional investors with a combined portfolio of \$50 billion, has twenty-five years of experience in engaging corporations in dialogue around corporate social responsibility and codes of conduct. In our accountability work our members have supported the MacBride Principles on Fair Employment in Northern Ireland; The Maquiladora Standards of Conduct on fair employment, health and safety, environmental practices and community impact of U.S. companies operating in Mexico; the South African Council of Churches' Code of Business Conduct calling for investment which will help build a just, post-apartheid economy; the CERES Principles which address company responsibilities for the environment; and the World Health Organization/UNICEF Code on Infant Formula Marketing. In recent years ICCR members filed shareholder resolutions with a range of companies calling on them to adopt or amend codes of conduct to include human rights and labor rights criteria, including paying a just wage and instituting fair hiring practices which preclude the use of child or forced labor. Members of ICCR believe it is imperative for companies to have strong global guidelines which apply wherever they operate.

As a part of its Global Corporate Accountability work, ICCR published in September of 1995 the "Principles for Global Corporate Responsibility: Benchmarks for Measuring Business Performance." This document released simultaneously by ICCR and its partners in Great Britain and Canada, contains a set of principles that spell out a new business philosophy fundamental to a responsible company's action in the global economy. This is the first time religious groups and shareholders have developed comprehensive global standards for responsible corporate

citizenship. The "Global Principles" have been circulated widely to corporations, community and human rights groups for discussion and comment. A new revised document will be released next year after evaluating feedback from individuals, groups and companies.

Codes of conduct and effective monitoring are an essential instrument for U.S. garment importers to overcome exploitative worker and child labor practices. Necessary components of an effective code of conduct include:

1) Strong Child Labor Provision. Codes of conduct for the company and its suppliers need to contain clear guidelines prohibiting child labor based on the International Labor Organization's Convention 138 on the "Minimum Age" Companies like the Gap, Levi Strauss and Reebok have such statements in their supplier standards. Reebok's "Human Rights Production Standards" states, *"Reebok will not work with business partners that use child labor. The term 'child' generally refers to a person who is less than 14 years of age, or younger than the age for completing compulsory education if that age is higher than 14. In countries where the law defines 'child' to include individuals who are older than 14, Reebok will apply that definition."*

2) Freedom of Association Provision. This provision is necessary because children are much more likely to be working in a non-unionized workforce. Independent unions, freely elected by workers, are a significant factor in overcoming sweatshop conditions where exploited labor and child labor flourish. It is not the company's role to organize workers, but to recognize in word and deed the fundamental rights of workers to form associations of their choice. In ICCR's "Principles for Global Corporate Accountability" the principle is articulated in this way: *"The company has a universal standard governing its employment practices and industrial relations. This standard includes genuine respect for employees' rights to freedom of association, labor organization and free collective bargaining."*

A few companies have freedom of association statements in their codes of conduct but not enough. This is a critical issue to address since over 60 countries have established "export processing zones" where some 4 million workers are employed, 2.6 million of whom are women. In a number of countries, the rights of workers to organize and bargain collectively are restricted in these zones. Responsible companies can make a difference by seeking business partners that

share their commitment to the right of employees to establish and join organizations of their own choosing.

3) Sustainable Wage Provision. If adult workers are paid wages which allow them to meet the needs of themselves and their families, they will not need the income earned by their children, and their children will not work. Most company codes of conduct contain provisions which support wages and benefits packages that at least pay the minimum legal wage or a wage that meets the competitive prevailing local industry standards.

The problem with this formulation is that the minimum wage in most countries is set so low that "minimum" no longer means a wage level that enables a person to survive. Instead of companies paying the minimum established by the government of a country (or even two, three or four times the minimum wage), they should be analyzing the purchasing power needed for workers to meet basic needs, set aside money for future purchases and allow for the availability of enough discretionary income to support the development of small businesses in a local community, a sustainable wage. Ruth Rosenbaum, co-chair of ICCR's Global Corporate Accountability Issue Group, has developed the "Purchasing Power Index Study" which companies can use to determine the wage level that equals a sustainable living wage. We believe companies need to make a clear declaration that they will pay a sustainable wage. In fact, Proctor and Gamble and Bristol Myers-Squibb have done just that.

4) Strong Internal Compliance Provisions. Company codes of conduct can be meaningful only if they are enforced. A number of companies have worked at developing internal compliance measures that give some substance to their sourcing codes--the GAP, Levi Strauss, Phillips-Van Heusen, Reebok, among others.

A company seeking to make compliance measures more effective should consider implementing the following:

- Hire and train company personnel to monitor compliance with its code
- Require its business partners to abide by their standards as a condition for doing business
- Develop detailed audit instruments and use on-site (particularly unannounced) inspections
- Interview workers away from the plant to get their picture of the workplace conditions
- Gather information about the human rights situation from a variety of sources.

Even the most thorough compliance measures cannot catch all violations of a company's code of conduct, especially violations of child labor and freedom of association provisions. Wal-Mart's inspection of Global Fashions in Honduras, where Kathie Lee Gifford's clothing was sewn, had not found children working at the plant, but the National Labor Committee and Honduran human rights groups did. Companies need to consider independent monitoring, an important tool that can supplement internal compliance measures.

6) Independent Monitoring of Company Codes of Conduct. A number of companies have used consulting firms to aid them in the auditing of compliance with their codes of conduct. While this strategy may produce valuable information on whether or not a supplier is in compliance, third party audits of this type largely rely on infrequent on-site inspections. In a promising new development, Gap, Inc. has agreed to work with nongovernmental organizations to build an independent monitoring mechanism at Mandarin International, a Gap supplier in El Salvador.

On December 15, 1995, Gap and the U.S.-based National Labor Committee (NLC) met to discuss working conditions at Mandarin International, where workers had expressed concerns over conditions in the plant over the last several years, including the use of child labor, forced overtime, unsafe working conditions, threats to prevent workers from organizing and firing of union leaders. The outcome of this meeting was a resolution in which Gap agreed to work with the Interfaith Center on Corporate Responsibility, Business for Social Responsibility (BSR) and the NLC to explore the viability of independent monitoring at Mandarin International in El Salvador. In January 1996, these groups formed the Independent Monitoring Working Group (IMWG) and began to define independent monitoring, its goals and scope. As a part of its exploration of the viability of independent monitoring, some members of the IMWG traveled to El Salvador the week of February 12, 1996 and visited the Mandarin facility, met with factory managers and workers, and conferred with representatives of various local religious, labor government and human rights organizations. In an effort to develop a working model for independent monitoring in El Salvador, the IMWG also solicited input from more than 75 U.S. and international human rights, labor, religious, academic, and business groups.

The IMWG has developed the following working definition of independent monitoring:
"An effective process of direct observation and information-gathering by credible and respected institutions and individuals to ensure compliance with corporate codes of conduct and applicable laws to prevent violations, process grievances, and promote humane, harmonious and productive workplace conditions."

The IMWG also set the following goals for independent monitoring at Mandarin:

- Detect violations of The Gap's *Code of Vendor Conduct* and applicable local law
- Promote practices leading to compliance with The Gap's *Code of Vendor Conduct* and applicable local law
- Encourage Mandarin to educate managers and workers about The Gap's *Code of Vendor Conduct*, applicable laws, their own responsibilities, and the rights of workers
- Deter abuses against workers
- Provide a safe, fair credible, and efficient mechanism for dispute resolution
- Foster a productive, humane work environment
- Promote utilization of existing processes within the factory to resolve problems as possible.

The independent monitoring project took a major step forward when four respected institutions agreed to form the Independent Monitoring Group of El Salvador (IMGES). The monitoring group includes representatives of the Secretariat of the Archdiocese of San Salvador, Tutela Legal (the Human Rights office of the Archdiocese of San Salvador), the Human Rights Institute of University of Central America, and CENTRA (a labor research organization). These institutions have a long record of upholding human rights in El Salvador.

On March 22, 1996, representatives of the above groups met with managers and current workers at Mandarin, former union leaders (of Sindicato de Empresa des Trabajadores Mandarin International-SETMI), and signed a resolution where each party pledged to focus on worker-management relations and create "a productive, stable and successful business" at Mandarin. The resolution committed the signers to the following:

1. That the six former SETMI leaders be the first employees to be hired by Mandarin International when the factory receives sufficient orders to do so.

2. When the necessity to hire more people comes about with sufficient new orders, the first employees to be hired will come from a list of 250-400 workers who lost their jobs at Mandarin International during 1995 and 1996.
3. A Team of Independent Monitors will be formed to ensure that the parties conform first to the Salvadorean Laws and second to GAP's code of conduct.

This resolution is an unprecedented agreement whereby Mandarin pledges to rehire former union leaders and work with independent human rights groups to monitor the factory's operations on a regular basis. Since the agreement, IMGES has worked diligently to monitor the factory. It has conducted extensive interviews with Mandarin workers and concludes that Mandarin is in compliance with the Gap's Code of Vendor Conduct and applicable laws. The big challenge facing Mandarin is the acquisition of sufficient orders to be able to rehire former union leaders and other workers.

While it is too early to assess the independent monitoring project, there are hopeful signs that independent monitors, made up of respected local institutions committed to human rights, will play a crucial role in ensuring that worker rights are respected and company codes are upheld. These monitors live on the scene, have regular access to the plant and can receive and investigate complaints from workers without fear of reprisal. Those involved in this pilot project remain hopeful that the process will result in humane and productive working conditions at Mandarin. The Gap and the IMWG are committed to actively assisting the IMGES, and this fall will look at the viability of independent monitoring at Gap contract suppliers in Honduras.

As other companies struggle with compliance issues, they need to consider independent monitoring as a viable way to assure themselves and consumers that workers making their clothes or shoes are employed under conditions that are fair, just, legal and humane.

There are other vehicles for addressing issues of exploited and child labor in factories producing goods for the U.S. consumer. One promising approach is the Congressman George Miller's (D-California) efforts to get U.S. companies to adopt a "NO SWEAT" label on products sold in the U.S. This label would signify that the product was made under conditions consistent with international labor standards and that the contract supplier freely allows independent monitors and human rights observers into their workplaces. A verification system would need to

be worked out, but the "NO SWEAT" label campaign would make an important contribution to changing the conditions in sweatshops that rely on exploited and child labor.

ICCR and its members believe from experience that there are a number of companies, like the Gap, who are willing to step up and find ways to do business responsibly in the global economy. Others may be reluctant to enter into unknown territory where business operations and human rights intersect. But a growing number of consumers and investors are concerned not only about the quality of a product, but the conditions under which the product is made. This concern will not go away. As companies struggle to do the right thing, codes of conduct (comprehensive and enforced) will play an important role in creating workplaces in the global economy that are healthy and humane.

I close with an appeal. The issues of child labor, exploitative conditions in sweatshops and fair treatment of employees are deep concerns to us as religious institutions and investors. We pledge to raise these issues with companies using our role as investors. We know the Department of Labor and the Clinton Administration is supportive of our efforts to encourage companies to act responsibly globally.

But the Securities and Exchange Commission is totally out of step with the Administration on these issues. When ICCR or the City of New York files shareholder resolutions on codes of conduct or child labor or sweatshop practices, the SEC rules that these are matters of "ordinary business" and allows companies to omit them from their proxy statements. In short, the SEC works hard to protect companies from being held accountable by concerned investors. This is scandalous and we urge your support to ask Chairman Levitt to end this short sighted policy and stop destroying our rights as investors. Thank you.



Interfaith Center on Corporate Responsibility

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25 years of Leadership

INDEPENDENT MONITORING WORKING GROUP

PROGRESS REPORT

APRIL 19, 1996

Many individuals and organizations interested in the Central American apparel manufacturing industry have requested a recap of events that led to the successful start-up of independent monitoring in El Salvador. To that end, the Independent Monitoring Working Group (IMWG) is issuing this report. Organized chronologically, this report is being distributed to all those who have expressed interest in the IMWG, its processes, and its progress.

I. Resolution: Gap and NLC

- On December 15, 1995, at the request of various religious groups and labor organizations, Gap, Inc. (The Gap – a U.S. retailer of specialty apparel brands Gap, GapKids, Banana Republic, and Old Navy Clothing Co.) and the National Labor Committee (NLC – a U.S. labor organization/education fund supporting worker and human rights in Central America) met to discuss working conditions at the Mandarin International apparel factory in El Salvador. The outcome of this meeting was the now well-known December 15 resolution, in which The Gap and the NLC agreed to specific actions to uphold the welfare of workers at the plant.
- As part of the resolution (attached), The Gap agreed to work with the Interfaith Center on Corporate Responsibility (ICCR – a coalition of Protestant, Jewish, and Roman Catholic institutional investors from the U.S. and Canada, which uses its investments to hold corporations accountable for their effect on society and the environment) and Business for Social Responsibility (BSR – a national association of businesses, which assists companies in developing policies and practices contributing to the sustained and responsible success of their enterprises) to explore the viability of independent

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monitoring at Mandarin International in El Salvador. This decision led directly to the formation of the IMWG.

II. Formation of the IMWG

- The IMWG members and their affiliations are:
 - Aron Cramer, BSR
 - Bob Dunn, BSR
 - Reverend David Dyson, Lafayette Avenue Presbyterian Church (for the NLC)
 - Dotti Hatcher, The Gap
 - James E. Lukaszewski (for The Gap)
 - Stanley P. Raggio, The Gap
 - Sister Ruth Rosenbaum, TC, Research & Report Service for Ethically & Socially Responsible Investing (for ICCR)
 - Reverend David M. Schilling, ICCR
 - Timothy H. Smith, ICCR
- On January 16-17, 1996, the IMWG formally began work at a meeting in New York.
- The IMWG identified eight key issues it would seek to define in future meetings. They were:
 - Definition of independent monitoring
 - Values characterizing independent monitoring process
 - How workers and contractors can best express their views
 - How independent monitors are chosen and what competencies and skill sets they require
 - Frequency of independent monitoring and a timeline to assess the project's success
 - How and to whom independent monitors would present their findings, including what's made public and what happens as a result
 - Ways to keep stakeholders informed and involved
 - Who covers the cost of independent monitoring
- The IMWG agreed to work collaboratively and on a consensus basis, speaking in one voice, and conducting all discussions in an open and transparent manner.
- The IMWG immediately began to identify potential independent monitoring organizations on the ground in El Salvador.

III. Work in Process

- As part of its exploration of the viability of independent monitoring, some members of the IMWG traveled to El Salvador the week of February 12, 1996. They visited the Mandarin facility, met with factory managers and workers, and conferred with representatives of various local religious, labor, government, and human rights organizations.

- In an effort to develop a working model for independent monitoring in El Salvador, the IMWG also solicited input from more than 75 U.S. and international human rights, labor, religious, academic, business, and special interest groups.
- The IMWG again met in February 22-23, this time in San Francisco. At the meeting, the group developed the following working definition of independent monitoring:

"An effective process of direct observation and information-gathering by credible and respected institutions and individuals to ensure compliance with corporate codes of conduct and applicable laws to prevent violations, process grievances, and promote humane, harmonious, and productive workplace conditions."

- The IMWG also set the following goals for independent monitoring at Mandarin:
 - Detect violations of The Gap's *Sourcing Principles & Guidelines* and applicable local law
 - Promote practices leading to compliance with The Gap's *Sourcing Principles & Guidelines* and applicable local law
 - Encourage Mandarin to educate managers and workers about The Gap's *Sourcing Principles & Guidelines*, applicable laws, their own responsibilities, and the rights of workers
 - Deter abuses against workers
 - Provide a safe, fair, credible, and efficient mechanism for dispute resolution
 - Foster a productive, humane work environment
 - Promote utilization of existing processes within the factory to resolve problems *as soon as possible*

IV. Implementation of the December 15 Resolution

- During February and March, 1996, cooperative meetings and negotiations were held in El Salvador involving various parties and individuals, including:
 - Managers and current workers at Mandarin
 - Former leaders and members of Sindicato de Empresa des Trabajores Mandarin International (SETMI - an El Salvadoran trade union)
 - Representatives of the Human Rights Institute of University of Central America (IDHUCA)
 - Representatives of Centro des Estudios del Trabajo (CENTRA - a labor research organization)
 - Representatives of Tutela Legal (the Human Rights office of the Archdiocese of San Salvador)

These parties agreed that independent monitoring could, in fact, be implemented at Mandarin.

- These positive conversations led to the Gap's re-approval of Mandarin for the production of goods.

V. Resolution Declaration: Mandarin

- On March 22, 1996, representatives from the above-mentioned groups (managers and current workers at Mandarin, former SETMI union leaders, and members IDHUCA, CENTRA, and Tutela Legal) signed a resolution to focus on worker-management relations at Mandarin and to work toward creating a productive, stable, and successful business. The signing was conducted in a public ceremony in the factory.
- The signatories to the Mandarin resolution (attached) agreed that a team of independent monitors comprised of representatives of the Secretariat of the Archdiocese of San Salvador, Tutela Legal, IDHUCA, and CENTRA would be formed immediately to ensure that all operations at the Mandarin factory are in compliance with Salvadoran laws and Gap's *Sourcing Principles & Guidelines*.
- It was determined that the independent monitoring process would be managed by the Independent Monitoring Group of El Salvador (IMGES) and coordinated by Mark Anner of CENTRA. The IMGES is now engaged in implementing the procedures and goals of independent monitoring at Mandarin.

VI. Implementation of the Mandarin Resolution

- The success of this approach to independent monitoring now depends on orders being placed at Mandarin. The Gap has placed new orders with the factory. At this time, however, more orders are essential to the success of the pilot.
- Members of the IMWG and all U.S. and El Salvadoran stakeholders have expressed their satisfaction with the initial implementation of the independent monitoring pilot, and remain hopeful that the process will result not only in humane and productive working conditions at Mandarin, but also increased orders for the factory and the subsequent rehiring of workers.

VII. Next Steps

- Much remains to be learned about independent monitoring. The IMWG is keenly interested in progress at Mandarin and hopes to draw from this pilot important learnings that can be used to develop the independent monitoring process. Specifically, the IMWG is committed to:
 - Actively assisting the IMGES in developing a workable, achievable independent monitoring process at Mandarin
 - Commencing an analysis of the viability of independent monitoring in Honduras, beginning with an IMWG visit to that country in September

VIII. Feedback

- The IMWG values and invites your questions or comments. Please write, fax, or e-mail:

April 19, 1996


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IMWG
C/O Interfaith Center on Corporate Responsibility
475 Riverside Drive, Room 566
New York, NY 10115

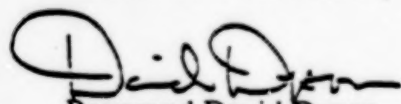
(212) 870-2928 (Office)
(212) 870-2023 (Facsimile)
ICCRNY@aol.com (e-mail)

As always, all materials received by the committee will be warmly welcomed and carefully considered. Thank you for taking time to continue to advise us on this unique and challenging task.

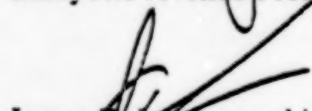
Sincerely,
The Independent Monitoring Working Group


Aron Cramer
Business for Social Responsibility

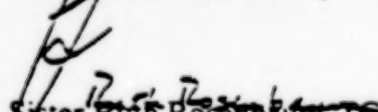

Bob Dunn
Business for Social Responsibility

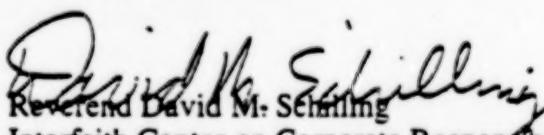

Reverend David Dyson
Lafayette Avenue Presbyterian Church


Dotti Hatcher
The Gap, Inc.


James E. Lukaszewski
The Lukaszewski Group Inc.


Stanley P. Raggio
The Gap, Inc.


Sister Ruth Rosenbaum, TC
The Research & Report Service for Ethical &
Socially Responsible Investing


Reverend David M. Schilling
Interfaith Center on Corporate Responsibility


Timothy H. Smith
Interfaith Center on Corporate Responsibility

Attachments:

- December 15, 1995 Resolution: Gap and NLC
- March 22, 1996 Resolution Declaration: Mandarin (English and Spanish)

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STATEMENT OF RESOLUTION

December 15, 1995 Brooklyn Heights, New York

The Gap and the NLC, acting on the desires of a variety of religious groups and labor organizations have resolved the core issues that separated them, and will work to uphold the welfare of workers.

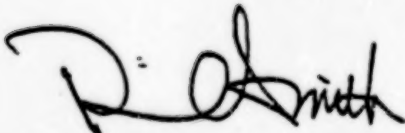
1. Mandarin International has agreed to meet face to face with non working union officials and workers to negotiate and resolve their differences. This meeting will take place at the Ministry of Labor in the presence of a representative from the Ombudsman's office.

It is the fervent hope of the Gap and the NLC that this meeting will result in the offer of reinstatement to the seven non-working union leaders and other members.

2. Gap has agreed to work with groups such as the Interfaith Center for Corporate Responsibility and Business for Social Responsibility to explore the viability of an independent industry monitoring program in El Salvador.

In the meantime, Gap and the NLC feel that it will be helpful to use the Human Rights Ombudsman offices in El Salvador and other Central American countries to monitor factory compliance with the Gap's "Sourcing Principles and Guidelines."

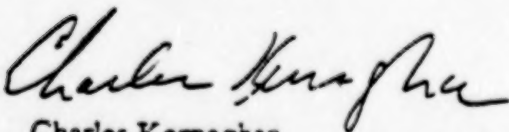
3. Gap will agree to reapprove the Mandarin factory for production of Gap garments when:
 - Gap is confident that its orders will result in humane and productive employment in El Salvador.
 - Gap is confident that the El Salvador government, by means of potential enactment of pending legislation, is moving in the right direction towards its ability to effectively resolve labor disputes justly, fairly, and promptly.
 - Gap is confident that Mandarin can meet or exceed its' Sourcing Principles and Guidelines on an ongoing basis.



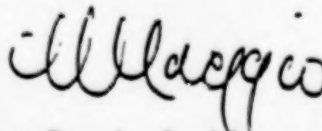
Rev. Dr. Paul Smith, Senior Pastor
FIRST PRESBYTERIAN CHURCH



Rev. David Dyson, Senior Pastor
LAFAYETTE PRESBYTERIAN CHURCH



Charles Kernaghan
NATIONAL LABOR COMMITTEE



Stan Raggio, Sr. Vice-president
GAP, INC.

RESOLUTION DECLARATION
MARCH 22, 1996

The goal of this resolution is to resolve the current impasse so that we can focus on worker-management relations at the Mandarin International factory. We believe that the principles and ideas in this resolution will help create a productive, stable, and successful business.

The signatories below commit to the following:

- 1- That the six former SETMI leaders be the first employees to be hired by Mandarin International when the factory receive sufficient orders to do so. All parties commit them selves to ensure that Mandarin International will have sufficient orders before May 1, 1996. The Monitoring Team will evaluate the situation. If it concludes that Mandarin International has not received sufficient orders to rehire the six by May 1, it will propose a new hiring date.
- 2- When the necessity to hire more people comes about with sufficient new orders, the first employees to be hired will come from a list of 250-400 workers who lost their jobs at Mandarin International during 1995 and 1996, and who wish to return. After the rehiring of the people on this list who have indicated their wish to return, Mandarin International can proceed to hire other people.
- 3- A Team of Independent Monitors will be formed by representant of the Secretariat of the Archdiocese of San Salvador, Tutela Legal of the Archdiocese of San Salvador, IDEUCA, and CENTRA, to ensure that the parties conform first to the Salvadorean Laws and second to GAP's code of conduct.

The monitoring team would begin work immediately.

KBR

E.E.O.

L.A.P.


D.C.

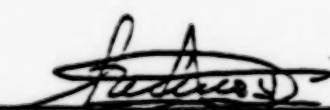
Alonso F. Flores

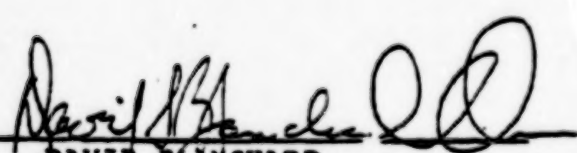
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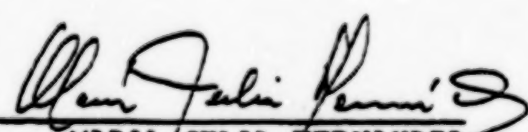
To help achieve the success of this agreement, the signatories further commit to:

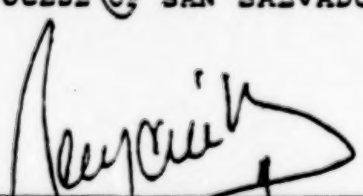
- 1- Peace and harmony among workers.
- 2- To maintain the existent peace between the workers and management.
- 3- Insofar as possible, aggressively contact and encourage clothing retailers and manufactures to direct orders to Mandarin International to help demonstrate that agreement and independent monitoring can and will work.



DAVID WANG
MANDARIN INTERNATIONAL

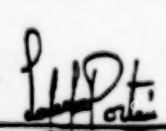
HECTOR HERNABE RECINOS
CENTRA

DAVID BLANCHARD
ARCHDIOCESE OF SAN SALVADOR

MARIA JULIA HERNANDEZ
TUTELA LEGAL DEL ARCA OBISPO

BENJAMIN CUELLAR
IDRCA

FOR WORKERS:



LUCIA ALVARADO PORTAN
GENERAL SECRETARY
MANDARIN INTERNATIONAL
WORKERS ASSOCIATION
(ATEMISA)

ELISEO CASTRO PEREZ
FOR FORMER SETMI LEADERS

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DECLARACION DE RESOLUCION 22 de marzo de 1996

La meta de esta resolución es resolver el impase actual de modo que podamos enfocarnos en las relaciones empleador- empleado en la fábrica MANDARIN INTERNATIONAL. Creemos que los principios e ideas en esta resolución nos conducirán a crear un negocio productivo, estable y próspero

Los abajo firmantes se comprometen a lo siguiente:


- 1- Que los seis ex-directivos de SETMI, serán las primeras personas a ser contratados por MANDARIN INTERNATIONAL, cuando la empresa reciba suficientes órdenes de trabajo para hacerlo. Las partes se comprometen a asegurar que Mandarin International tenga suficientes órdenes de trabajo antes del 1 de mayo de 1996. El Grupo de Monitoreo evaluará la situación. Si éste concluye que Mandarin International, no ha recibido suficientes órdenes para contratar a los seis para el primero de mayo, el Grupo de Monitoreo propondrá una nueva fecha.
- 2- Cuando haya la necesidad de contratar más personal por haber obtenido suficientes órdenes nuevas de trabajo, los primeros trabajadores a contratar provendrán de la lista de los 250 y/o 400 trabajadores que dejaron de trabajar con Mandarin International durante el período de 1995-1996, y que deseen regresar. Después de recontractar a aquellas personas de la lista mencionada y que han expresado su deseo de regresar, Mandarin International procederá a contratar otras personas.
- 3- El Grupo Independiente de Monitoreo será constituido por representantes de la Secretaría de la Arquidiócesis de San Salvador, Tutela Legal, el IDHUCA y CENTRA, a fin de asegurar que las partes involucradas cumplan en primer lugar con las Leyes Salvadoreñas y en segundo lugar con el Código de Conducta de GAP.

El grupo de monitoreo podrá comenzar su trabajo inmediatamente.

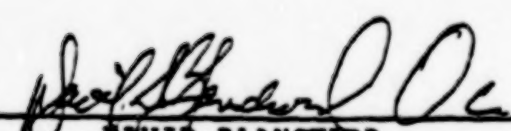
[Handwritten signatures and initials: DB, C.C.F., BR, L.G.P., B.C., and a large signature]

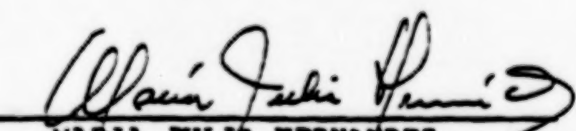
Para lograr el éxito de ésta resolución, los firmantes se comprometen además a:

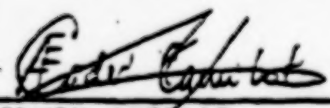
- 1- Mantener la paz y armonía entre los trabajadores.
- 2- Mantener la paz existente entre empleador-empleado.
- 3- El grupo de monitoreo deberá contactar y fomentar en forma agresiva tanto a los productores como a los distribuidores de ropa, a fin de que MANDARIN INTERNATIONAL reciba directamente órdenes de trabajo. Esto ayudaría a demostrar que tanto esta resolución como el Grupo de Monitoreo funciona.


DAVID WANG
MANDARIN INTERNATIONAL

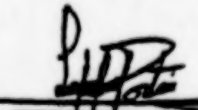

HECTOR BERNABE RECINOS
CENTRA



DAVID BLANCHARD
ARQUIDIOCESIS DE SAN SALVADOR


MARIA JULIA HERNANDEZ
TUTELA LEGAL DEL ARZOBISPADO


BENJAMIN CUELLAR
IDEUCA

POR LOS TRABAJADORES:


LUCIA ALVARADO PORTAN
SECRETARIO GENERAL
ASOCIACION DE TRABAJADORES
DE EMPRESA
MANDARIN INTERNATIONAL, S.A.
(ATEMISA)


ELISEO CASTRO PEREZ
POR LOS EX DIRECTIVOS DE SETMI

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RUGMARK AFTER ONE YEAR

**Prepared Statement of
Pharis J. Harvey
Executive Director
International Labor Rights Fund**

**U. S. Department of Labor Hearing
on
Corporate and Non-Governmental Agency Initiatives to
Combat Child Labor Abuse**

June 28, 1996

It is a pleasure and an honor to again participate in an important hearing on the problem of child labor abuse in international commerce. Since there is substantial evidence that the incidence of child labor in production for export is growing, as one of the more evil side-effects of globalization, focusing on steps being taken to end such practices is highly appropriate and long overdue.

My colleague Dan McCurry will testify later regarding the campaign the International Labor Rights Fund has initiated today to end exploitation of child labor in the manufacture of soccer balls. I would like to direct my comments to another campaign in which we have been active from the start, the RUGMARK initiative to market oriental carpets from South Asia not made by child labor.

These two initiatives represent what I believe is the cutting edge of a global movement to use consumer awareness and consumer pressures to improve workplace conditions in the new world economy. I believe also there are important learnings from these experiments for other ventures in other products. Further, I believe that the efforts to highlight the abysmal conditions prevailing for children making goods for exports, which probably involve no more than 15 to 20 percent of the world's child labor at the most, have also begun to shake awake a number of governments and international agencies regarding the even more difficult, intractable problems faced by the other 80 to 85 percent, the forgotten, invisible kids sweating in granite quarries, brick kilns, street vending, prostitution, begging, farm toil and deep inside the homes of the rich and comfortable. In that sense, the demonstration effect of these experiments is turning out to

be powerful and efficient.

The RUGMARK Foundation was formally chartered in September, 1994 in New Delhi, India, to develop a trademark, and a voluntary certification program for carpet exporters to demonstrate that the carpets they are producing are made without child labor. It was conceived also as a means to raise voluntary assistance to rehabilitate former child carpet weavers. The first Indian carpet exporters were licensed in December that year, and the first carpets with the RUGMARK label were ready for export in March 1995. In the fifteen months since the first carpets were shipped, more than 75 exporters have been licensed, 180 other carpet producers are awaiting approval of their applications, and more than 220,000 carpets have individually been certified, labeled and put on the market, mostly in Germany. A professional staff of 21 has been hired, including 13 inspectors, who have conducted surprise inspections on more than 11,000 looms.

Now, approximately 30 percent of the German market, the largest oriental carpet market in the world, is occupied by rugs bearing the Rugmark label from India.

Furthermore, the Rugmark initiative, which began in India, has now become an international program with the advent of RUGMARK NEPAL. In order to enable this to come about, the ownership of the Rugmark trademark has been transferred to RUGMARK INTERNATIONAL, located in Dusseldorf, Germany, and the Indian and Nepalese Foundations have become autonomous institutions responsible for maintaining the standards and procedures for licensure set by the International Foundation. In Kathmandu, this week will likely mark the final signing of an agreement between the international program and the Rugmark Nepal Foundation, where 30 large-scale manufacturers responsible for 70 percent of Nepal's carpet exports, have committed to becoming licensed as Rugmark producers. The Foundation board of directors has been registered, the requisite balance of NGOs and companies has been acquired, the officers have been elected and staff is being hired. Shortly, we can expect to see a significant increase in the availability on the world market of carpets that are assured of having been screened thoroughly to avoid child labor.

Unfortunately, in Pakistan, the discussions about RUGMARK are just dribbling along, with no discernible progress. When on April 16, 1995, a young Pakistani activist and former carpet slave named Iqbal Masih was murdered near Lahore, world outcry caused at least a \$15 million dip in Pakistan's earnings from carpet exports. However, despite this shock, and the succeeding waves of public outrage at the country, the industry

continues to dither away, losing market share and credibility alike. A faint effort by the government on this year's anniversary of Iqbal's death to announce its commitment to Rugmark by way of public announcements in a number of international newspapers has led to no serious effort to advance the cause or to being to negotiate an actual, concrete program.

So for now, until Pakistan joins the initiative, two countries of the six or seven leading producers of hand-knotted carpets have begun a serious effort to end the exploitation of child labor.

Is it Working?

A year ago, at a similar hearing in this same room, the president of the U. S. Oriental Rug Importers Association testified to his belief that Rugmark was a "sham." In strong denunciatory terms, it was claimed that the Rugmark Foundation could not possibly meet its stated goal of certifying that all the carpets made with its label had been made without child labor. This criticism has in recent months been echoed in India by several non-governmental organizations, who have expressed concern not only that Rugmark couldn't adequately inspect such a diversified and scattered area of production as the Uttar Pradesh carpet belt, but that it had failed to develop any programs for children displaced from the workforce as a result of its activities.

These were serious concerns, if accurate. And since they were being repeated by respected human rights organizations in this country, the International Labor Rights Fund undertook a mission together with the Robert F. Kennedy Memorial Foundation in April and May this year in order to ascertain what basis, if any, these criticisms had.

I had hoped to have finished a formal report on our findings by the time of this hearing, but have unfortunately been laid up with an illness that delayed the work. However, I would like to indicate here the most important of our findings.

1. **The Inspection and Monitoring System works.** It is possible to make this claim strongly and without equivocation. After a rocky start with poorly trained personnel, the Rugmark Foundation has gradually put together a competent, well-paid and well-trained staff to conduct its investigations and monitor compliance.. In the carpet belt of eastern Uttar Pradesh state, the foundation has a reputation for being "incorruptible," something which very few institutions in that region of India can claim. A multiple system of checks and balances has evolved, to prevent ethical mishaps or

moral lapses. This includes the following steps.

A. Becoming a Licensee.

1. Before an exporter is licensed, a legally binding contract is signed committing the company, and all his/her loom owners, not to use illegal child labor, to pay workers the minimum legal wage, to register all looms with the CEPC and to use only registered looms, to supply the Rugmark Foundation with a complete list of looms, to keep that list up to date, and not to contract with anyone else who is unwilling to meet these conditions.

2. Next, export records from the last two years and a full list of looms are submitted to the foundation.

3. The export records are then checked with the loom list and it is determined whether the number of listed looms is adequate to meet the exports as recorded. (This is to prevent a partial listing of looms to hide child labor exploitation at unlisted sites.)

4. If the company meets these requirements, then up to 35 percent of the looms currently at work are inspected. If no child labor is found at any loom, the exporter is accepted as a licensee. If child labor is found, the loom owner is given one month to replace the children and a second surprise inspection is conducted. If no children are found, the application is approved. If children are found, the application is rejected.

All this information is entered in a computerized data base, which can then track the activities, including any child labor found, at any of the loomsites identified with any particular licensee.

B. Getting Labels on Carpets

However, becoming a licensee does not entitle a company to automatically place a label on all its carpets. A rigid procedure is followed in order to acquire a label, individually numbered, on each carpet that meets the test. This includes:

A. When a purchase order is received by the exporter, a copy of that purchase order, including the size, style, quality, color and location and number of the looms where the carpets will be made, is sent to the Rugmark Foundation.

B. Rugmark Foundation then sends this information to its field office. Inspectors then have the opportunity to inspect each loomsite to confirm the details of the purchase order as well as the existence of child labor.

C. If child labor is found, the loom owner is given a short time to remove the children. Only upon a re-inspection is the carpet certified. If child labor is found in the second inspection, the carpet is refused that loom is removed from the list of certified

looms so that no subsequent carpets on that loom can receive the Rugmark label.¹

Only when the carpet is completed does the exporter request the label, which is individually numbered and attached at the point of export. No loose or unnumbered labels are ever provided to the exporters or their agents.

A second set of checks and balances guards against false or inadequate inspections:

- A. Inspectors work in pairs, which change daily.
- B. Inspectors are unaware of the locations of their inspection sites until the morning of the inspection, when they receive their orders from New Delhi.
- C. Inspectors are paid significantly more than they might make at other jobs in the region, which creates a disincentive to risk a good job for some side payments.
- D. The supervisor of the inspectorate is from a distant region of India who has no religious, caste, personal or familial ties in the area that might upset his objectivity.

In the only instance so far of misbehavior by inspectors, one inspector was let go early on in the program because it had been his belief that the goal was to identify as many children as possible, and he had falsified records to show more underaged workers than they had actually discovered.

On the other hand, although vague complaints have been made by critics in India about the impossibility of inspecting and monitoring such a widely scattered number of small producers, making carpets in family loomsheds in hundreds of villages, etc., after fifteen months of full operations, not one single falsely labeled carpet has been identified by the critics. This in an area and industry where mutual suspicions and rivalries are legendary and violence is common. As Sherlock Holmes noted, the significant fact is the dog that isn't barking!

2. The Rehabilitation Program is slow in being developed but for understandable reasons. The original design for Rugmark envisioned a rehabilitation

¹As of the end of April, 1996, about 121 looms had been decertified. About 600 children have been found in inspections, at 340 looms, most of which have subsequently passed inspection. More than half these children were discovered in the early months of the program.

and education component. Children liberated from carpet looms would be placed in rehabilitation centers and schools set up with funds raised voluntarily through carpet importers' fees in the marketing countries. Thus the program would contribute not only to the end of child labor, but to helping the individual children affected by it.

However, one year after the first carpets were shipped, a formal rehabilitation program was not yet in place. Critics among NGOs in India began to complain that the Rugmark initiative, while perhaps ending child labor in part of the carpet industry, was probably responsible for doing no more than driving children from one loom owner to another, and might be leaving children in worse conditions than before. It was argued that Rugmark had become no more than a marketing incentive scheme.

However, the truth, insofar as we were able to grasp it, seems considerably less dramatic, less negative and on the way toward a positive resolution. More than half the children located by inspectors were found during the opening few months of the program. Only some 280 illegal child workers have been discovered at potential or actual licensee loomsheds in the year since the inspectorate office was set up under Matthew John in July, 1995. Of these, about 80 percent were local children who were simply dismissed and went home, or perhaps went to another loom owner in the same village. About 20 percent, a few more than 50 children, were so-called "bonded" children, those who had been hired, lured or bought from a distant place to work at a loomshed, and who when dismissed had fewer options, more need of rehabilitation and no immediately available family support.

It should be said parenthetically that the discovery of only 280 children in Rugmark inspections in the past year should not be interpreted as an indication of the scale of child servitude in this industry. In the first place, Rugmark inspectors only went to the loomsites of carpet makers who requested certification that they weren't using child labor. That 280 children were found is more an indication that, despite the warnings of an exporter to his loom owners, the practice of employing children is intractable enough that many loom owners did not take the warning seriously until the inspector showed up.

However, when children were found, particularly bonded labor children, the Rugmark program had not in its first year developed an adequate program for their removal and care. The practice was to report the children by name to the New Delhi office, which then reported to the child welfare NGOs on the Rugmark board, who then informed their field staff in the Varanasi region, who then went to the loomsite to rescue

or assist the children. By the time the information made this circuitous route, the children in most instances were gone.

There were several reasons for this lacuna. The inspectors were not specialists in rehabilitation or rescue. They had no legal warrant without parental or police permission to remove children to another place. And their job was to inspect as many sites as possible, in order to determine the situation. In the interest of maintaining tight control over facts, so they might not be misused for mischievous purposes, their instructions were to report their findings only to the Rugmark head office.

At the same time, the Rugmark program had no funds with which to create rehabilitation programs, until such time as the exported carpets had generated contributions from the importers, particularly in Germany. For that reason, although there was much talk about rehabilitation programs, no concrete plans were put in place during the first year, except to integrate released children into educational programs in the region run by one of the Rugmark Board members, Mr. Shamshad Khan, head of the Committee for Rural Education and Development Action (CREDA). But because these were not residential programs, integration of these children was not easy.

Finally, in the spring of 1996, as funds were beginning to become available to UNICEF India for the Rugmark rehabilitation program, it was decided to open a second wing of the program, in the form of a rehabilitation center in the Varanasi region for children rescued by Rugmark program. That program, to be patterned after the Mukti Ashram run by SACCS near New Delhi, is being set up now and will be run by a separate Rugmark field staff.

3. The "Catchment Area" is Seeing a Reverse Flow of Children. More significant than the numbers of children rescued, displaced or rehabilitated in Uttar Pradesh is the fact that Bihar State, where the largest number of non-local children come from in the carpet industry, a flood of children returning to their homes from the carpet belt has been reported since the beginning of this year. While exact numbers are not known, the tide is significant enough that the Bihar government is reported to have established 50 new schools in the four districts responsible for the largest number of carpet children, and to have promised to establish another 200 schools before the end of this year.

It has long been the claim of SACCS that rehabilitation programs belong in the

catchment areas, not the carpet belt. What is needed, they argue, is a series of programs to prevent children from being lured away, to help their parents gain income and children gain education. These districts of Bihar are among the poorest in India, and have long been deprived of development funds for a wide range of reasons. Now, with the stimulus of Rugmark, and the general stigma coming to be attached to child labor in the carpet industry, a reverse flow of children back to their homes appears to be taking place.

This has caused a change in the thinking of the Rugmark Foundation leadership. Now it is more common to speak of "social investment" than "rehabilitation." Funds which are generated through voluntary duties in importing countries are being considered for a wider range of services and purposes than merely assisting the individual children freed from labor by the program. If this thinking prevails, it is likely that Rugmark will be able to make a far more significant contribution to "drying up" the catchment areas in the years ahead.

These, briefly are our findings. There is much to do in Rugmark, particularly in the United States, the second largest market for hand-knotted carpets and in expanding the program to other producing and exporting countries. But the initiative is off to a good start. It has demonstrated its integrity. It has recognized its weaknesses, and is moving creatively to remedy those. Finally, and most important, it is contributing to an overall lessening of the incidence of child labor exploitation in an industry in India that has long had the reputation for being one of the worst abusers of children.



Sporting Goods Manufacturers Association

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TESTIMONY OF
THOMAS J. COVE
VICE PRESIDENT, SPORTING GOODS MANUFACTURERS ASSOCIATION
ON BEHALF OF THE
SOCCER INDUSTRY COUNCIL OF AMERICA
BEFORE THE
U.S. DEPARTMENT OF LABOR
INTERNATIONAL CHILD LABOR PUBLIC HEARING
FRIDAY, JUNE 28, 1996
WASHINGTON, D.C.

Thank you for the opportunity to appear to discuss this critically important subject. I am Thomas Cove, Vice President of Government Relations for the Sporting Goods Manufacturers Association. I appear today representing the Soccer Industry Council of America (SICA).

SICA is the national trade association of manufacturers and distributors of branded soccer apparel, footwear and equipment. Organized in 1985, the Council represents more than 100 companies ranging from soccer specialists to general team sports suppliers. The Council is a specialized, standing committee of the Sporting Goods Manufacturers Association, the trade association for North American producers and distributors of athletic apparel, footwear and sporting goods equipment.

The Council works to encourage participation in the sport of soccer, to promote awareness of and appreciation for the game among the business community and the general public, and to increase playing opportunities for disadvantaged youth and the mentally handicapped, and other special communities. Over the past nine years, the Council has distributed more than \$700,000 in funds to worthy projects that promote the game.

I commend the Department of Labor for conducting this hearing, as well as for their ongoing efforts through the International Child Labor Project. It is our hope that through forums such as this a responsible, frank discussion of the problem of exploitative child labor can develop, and a studied, comprehensive, sustainable response to the problem can be generated.

We welcome this discussion and look forward to participating constructively in the process. We believe our experience in addressing the issue of exploitative child labor in Pakistani soccer ball production can offer useful insights as to how American industry can play a leadership role to stem this problem.

Two points at the outset to frame my remarks. First, along with everyone else in this room, the members of the U.S. soccer industry abhor the exploitation of children -- whether in the workplace or in any other aspect of their lives.

Second, the U.S. soccer industry has taken unprecedented steps to address to the issue of child labor in a conscientious and responsible manner, and is committed to eliminating any possibility that children will be exploited in the production of soccer balls.

When allegations of child labor in soccer ball assembly in Pakistan came to the attention of the U.S. soccer industry, the Soccer Industry Council of America moved quickly and decisively to assess the situation and determine what response should be taken. Representatives of several companies traveled to the region accompanied by industry critics who assisted in their inquiry. At the same time, the industry recognized that the situation required a coordinated response and established a Task Force on Global Manufacturing Practices to organize research and develop recommendations for joint action.

The SICA Task Force represents a significant attempt by an industry in the United States to address a human rights issue arising out of the globalization of international trade. To

advance its work, the Task Force retained the services of a noted human rights professional and professor of human rights and business ethics at Columbia University to advise the members and supervise research and the development of recommendations.

The Task Force has also worked closely with international agencies such as UNICEF and the International Labor Organization's child labor program and has reached out to non-governmental organizations operating in Pakistan including for example, Save the Children and the independent Human Rights Commission of Pakistan (HRCP).

One of the first steps taken by the Task Force was to investigate the situation in Pakistan. Despite the extensive coverage of the child labor issue in newspaper and on television over the past year, we were surprised by the absence of any serious inquiry into the issue. No one could answer such basic questions as: How common is child labor? What percentage of soccer ball stitchers are children? Do child stitchers work at home with their parents or outside the home? Why do children work? What steps might be taken to encourage them or their families to send them to school instead of to work? Under what conditions do children work?

Given the number of interested international organizations and public interest groups that are commenting on the issue, we were surprised to discover only one report that purported to examine the scope and extent of child labor in soccer ball production in any disciplined or quantitative manner.

That report was published in 1995 by the Human Rights Commission of Pakistan, a highly regarded Pakistani non-governmental organization whose research has been cited by the Department of Labor in the past. The HRCP investigative team conducted an extensive survey of factories, workshops, shed as well as homes in villages surrounding Sialkot, the center of Pakistan's sporting goods industry. I do not know if the Department has a copy of that 1995 research report, but I have a copy here and ask that it be placed into the official record of this hearing.

The Task Force was deeply concerned by the disparity of the results reported by HRCP and the sensational reports of exploitation of children that have surfaced in the press in this country over the past few months. Consequently, the Task Force identified a highly regarded research organization in Pakistan to perform another independent investigation. The organization selected, Raasta Development Consultants has worked for UNICEF and other international organizations and has extensive experience working on children's issues. Raasta consultants designed and implemented what we believe is the most comprehensive research study to date examining the role of children in the soccer ball industry in Pakistan. Their research teams traveled to more than 80 villages in the Sialkot area and interviewed hundreds of children and families. I would like to submit for the record the research report of Raasta Development Consultants entitled, "An Assessment of the Working Child in the Soccer Ball Industry, Sialkot, Pakistan."

The similarities between the results reported by Raasta and the findings of HRCP's research are impressive, a testament to the rigor of their research techniques and to the seriousness of their inquiries. With your permission, I would like to set forth several of those

conclusions, so that before we discuss how to respond to the child labor situation in Pakistan we can agree on what the conditions really are.

1. **Soccer ball stitching has become a cottage industry in Pakistan.** Stitching does not generally take place in factories, but in the villages and rural communities surrounding Sialkot. According to the Raasta report, 87% of the stitchers interviewed work in the village where they live.

2. **The vast majority of soccer balls in Pakistan are stitched by workers over the age of 14,** the generally accepted minimum age for work, according to international standards such as the International Labor Organization's Convention 138. The extent of workers under 14 is difficult to determine, but serious estimates range from 10% to 25%. I should emphasize that there is NO credible research that suggests that children under 14 constitute more than 25% of the stitching work force.

3. **Most children who work stitching balls -- more than half, according to the Raasta report -- work at their own homes,** often working to help their parents and other family members.

4. **The soccer industry does not seek out child labor or compensate child stitchers differently than their adult counterparts.** Both HRCP and Raasta concluded that children and adults receive the same pay for the same work.

5. **There is no credible evidence to support allegations that physical punishment of child stitchers is a regular or systemic feature of the stitching industry.** Neither HRCP nor Raasta reported any evidence or even reports of physical abuse by children who stitch or by their families on behalf of their children. Of course, this does not mean that abuse never takes place, but I believe that these findings place the sensationalized press reports into a more truthful context.

6. **There is no credible evidence to support allegations of bonded, forced or slave labor in the stitching of soccer balls.** Both HRCP and Raasta determined that stitchers occasionally receive cash advances for work not yet performed, but that this practice does not constitute bonded labor. As HRCP reported "The amounts advanced are not so high that workers are not able to pay them off and become bonded, as in the case of some industries, i.e., brick kilns."

7. **There is no credible evidence to support allegations that children under 14 work in soccer ball manufacturing facilities in Sialkot.** Again, both Raasta and HRCP agree.

I believe that these facts provide a useful common ground examining the situation of child labor in Pakistan as well as the soccer industry's response to it. Sadly, as you can see, there remains a great deal of misinformation about the problem of child labor in soccer. The considerable recent media attention surrounding soccer ball manufacturing practices has generated far more heat than light. In our view this is a terrible situation that we hope this hearing will begin to correct -- because we fear a misguided focus may sidetrack legitimate

efforts to institute sustainable solutions to the problem of exploitative child labor in Pakistan.

Though we are appalled by the gross misrepresentations and inaccuracies of newly minted "experts" on the Pakistani soccer ball industry, the U.S. soccer industry is determined to move beyond sensationalism or public posturing. We are focusing on finding answers, to solve the question of how to ensure that exploitation of children in the production of soccer balls is ended, while ensuring that currently employed children are in fact beneficiaries and not victims of these transitions.

The findings of our research establish that children do work in soccer ball stitching and that some children who stitch may face possible exploitation. Concern over this risk has led SICA to articulate three commitments on the issue of child labor in soccer ball assembly, which we have previously stated publicly:

1. The U.S. soccer industry is committed to revising manufacturing practices by its business partners in Pakistan to eliminate the subcontracting of stitching -- the avenue by which children improperly enter the industry work force.

2. The U.S. soccer industry is committed to working with the Government of Pakistan and internationally-respected non-governmental organizations in Pakistan to promote educational opportunities for children and to ensure that children no longer involved in stitching soccer balls do not simply move to other, more hazardous forms of employment.

3. The U.S. soccer industry is committed to exploring the development of a monitoring program to ensure that so long as subcontracting continues, facilities are inspected for the presence of any children working

SICA and its members are committed to working with local manufacturers to reduce the involvement of children in stitching balls and to promoting educational opportunities for children in the communities where balls are stitched. Individual SICA member companies have already begun to work with Pakistani manufacturers and subcontractors to develop programs to reduce the likelihood that children will be permitted to stitch soccer balls.

For example, both Nike and Reebok have publicly announced programs designed to ensure that no children will be involved in any aspect of the stitching of soccer balls. These programs represent fundamental changes in these companies' production processes. Several other SICA member companies are in negotiations with their Pakistani suppliers and licensees to institute similar programs. All SICA member companies are committed to policies designed to ensure that children are not exploited in the production of soccer balls.

At the same time, the Task Force has initiated discussions with manufacturers, with the Government of Pakistan and with internationally respected non-governmental organizations to build partnerships that promote education opportunities and training of children, so that children no longer working in soccer ball assembly will not be forced into other, more dangerous forms of employment.

As numerous experts have concluded, child labor in Pakistan is a symptom of serious social and economic challenges -- rampant poverty, inadequate educational opportunities, and cultural attitudes concerning the responsibilities of family members, to name only three. Industry alone cannot alleviate the conditions that give rise to child labor. The practice will only end when all institutions in Pakistani society -- political, religious, and, yes, economic -- acknowledge that a problem exists and work together to solve it.

The U.S. soccer industry is committed to work with other institutions in Pakistan to become part of the solution to exploitative child labor in Pakistan. More than any other industry, and certainly more than any other segment of the foreign business community, SICA and its members have taken the first steps down a long path. Working with our partners in Pakistan, we believe this initiative will ultimately result in significant changes in business practices and in significant reductions in the participation of children who stitch soccer balls instead of attending school.

Report Submitted for the Record
Full Text on File
U.S. Department of Labor

HRCP Rights of the Child series: No. 9

Child labour in Pakistan

-- Sialkot
-- Kasur



HRCP surveys 1995

Report Submitted for the Record
Full Text On File
U.S. Department of Labor

An Assessment of the Working Child in the Soccer Ball Industry, Sialkot

**Azra Talat Sayeed
Shakil Ghori
Joseph Sadiq**

June 1996

**Prepared by
Raasta Development Consultants
for
Soccer Industry Council of America (SICA)**

TESTIMONY OF LINDA F. GOLODNER

BEFORE THE U.S. DEPARTMENT OF LABOR
BUREAU OF INTERNATIONAL LABOR AFFAIRS

June 28, 1996

Mr. Otero and staff, I am Linda Golodner, president of the National Consumers League and co-chair of the Child Labor Coalition. I am pleased to have the opportunity to testify on how consumers are working to eliminate the use of child labor in the production of goods which are imported into the United States.

The National Consumers League is a non-profit, membership organization which was established on the principle that consumers care about the conditions under which products are manufactured. For nearly one-hundred years, the League has spoken for consumers who demand the elimination of child labor exploitation and sweatshops.

In response to an escalating child labor problem in the U.S. and overseas, the League helped establish in 1989, the Child Labor Coalition. The coalition educates, motivates, and initiates action on domestic and international child labor. More than 45 organizations are members, representing educators, health professionals, consumer groups, organized labor, as well as women's and religious groups, human rights groups, and child advocacy organizations.

Consumer outreach is a primary objective of the League and the coalition. We are convinced that consumers can significantly influence retailers, manufacturers, industries, and governments to improve working conditions here at home and throughout the world.

Every year, the National Consumers League asks our members about child labor and sweatshops. We recently asked: Would you refuse to buy products from a company if you knew the company profits from sweatshop labor? Eighty-one percent of our members strongly agreed.

We also asked our members if they would like to see child-labor free labels on imported items. Eighty-four percent responded positively.

Surveys aside, every day we are reminded of the consumers who want to do the right thing when they shop. In my written statement, I have included three letters which are representative of the hundreds of calls and letters we have received over the last eighteen months.

These letters and others express outrage over sweatshops and child labor. Consumers are rejecting excuses and demanding responsible corporate behavior.

Consumers ask us for guidance on what they can do. We are asked for lists of companies and retailers to avoid because they buy from sweatshops. We are also asked for lists of companies that do not sell products made in sweatshops or by children. We are asked how can consumers tell if something is made under abusive conditions?

This year, both the *Atlantic Monthly* and *Life* magazines documented horrendous child labor abuses in the making of hand-knotted carpets. The Department's first study identified the more than one million children who are working in this industry in South Asia alone. Consumers are sickened by images of children who are kept barely alive, worked to death, and beaten if they cry for their mothers, or even killed if they try to escape.

This is why the RUGMARK is welcomed by consumers. It's a label that assures consumers that the manufacturer of a carpet has met stringent requirements to assure that no child labor is used.

Representatives from the U.S. RUGMARK Campaign and the European Campaign against Child Labour in the Carpet Industry independently reviewed the RUGMARK-India program in 1996. Both delegations found the RUGMARK program is efficient, with mechanisms for internal checks. The present inspections of carpet looms meet the highest possible standards. The label is credible and the inspection and monitoring process is well in place.

How wonderful it is for consumers to be able to buy a product with this assurance. Or, I should say it is wonderful for German consumers who have seen more than 220,000 RUGMARK carpets imported into their country.

We have made repeated appeals to U.S. importers and retailers to likewise commit to the RUGMARK initiative. A few have responded. We are pleased to report that two major importers and a mail order company are in the process of making RUGMARK carpets available to American consumers in the very near future.

As American importers and retailers slowly respond, consumer demand for RUGMARK carpets is increasing. In a short time, activists around the country have collected more than 15,000 signatures. These petitions ask importers and retailers to make RUGMARK-labelled carpets available to consumers.

We say to importers and retailers: "Look at these petitions. Many consumers want child labor free carpets. They are unwilling to buy your carpets unless they have the RUGMARK label."

As the demand increases, it is imperative that consumers gain access to RUGMARK carpets. Toward this end, we have developed a strong network of community-based consumer activists. Two of our strongest allies are the General Federation of Women's Clubs with more than 250,000 members and the United Methodist Women with more than 990,000 members. These national organizations with grassroots capabilities have committed their resources and energy to the RUGMARK Campaign this year.

Very soon, legions of women activists will begin contacting carpet retailers in communities across the nation. The objectives are three-fold:

- 1) to encourage retailers to carry RUGMARK carpets;
- 2) to identify retailer-perceived barriers to supporting RUGMARK and making available RUGMARK informational materials to them; and
- 3) to gather information on where RUGMARK carpets are available.

What are the expected results? First, a national database will link retailers with consumers who wish to purchase a RUGMARK carpet. And second, additional retailers will decide to carry RUGMARK carpets.

The good news is that there is a RUGMARK label for consumers. The bad news is that it is the exception. For the many other products in the marketplace, consumers have no information from which to make informed purchasing decisions. Most often they are left little choice but to participate in the exploitation of workers.

This is especially true in the garment industry where millions of workers in 70 countries produce clothing. We know that there are sweatshops worldwide -- and some even here in the United States. We know that one of the abuses that define sweatshops is child labor, and the Department's own reports show that child labor is prevalent in the industry.

In January, the National Consumers League and UNITE launched Stop Sweatshops: A Partnership for Responsibility. This campaign, which targets domestic and international sweatshops, is supported by consumer, religious, women's, environmental, labor, social justice, and public interest groups. Our combined outreach currently represents more than fifty million consumers and is expanding daily.

The campaign promotes stronger enforcement of laws which protect adults and children from exploitative labor and unsafe workplaces -- both here in the U.S. and abroad.

The campaign is about corporations accepting responsibility for the working conditions under which their products are made. It's about codes of conduct that have teeth in them and the independent monitoring that is necessary for consumers to have confidence that companies are doing the right thing.

The campaign promotes consumers, workers, retailers, manufacturers, contractors, and government working together to eliminate sweatshops.

Most of all, the campaign recognizes the critical role consumers must play to help end sweatshops and child labor exploitation. Toward strengthening the consumer voice, the campaign educates and provides them with the tools they need to effectively speak out to manufacturers and retailers about corporate responsibility.

The bottom line is that consumers are searching for responsible retailers and manufacturers. They want to shop in stores where they don't have to worry about whether the garment was made in a sweatshop. They want the freedom to buy any brand without fear that what they buy contributes to women and children being exploited.

Corporate responsibility is important, now more than ever given the global marketplace. But, consumers expect it to be genuine and effective.

As child labor and other abuses have been exposed by the media over the last few years, many manufacturers and retailers responded with codes of conduct. These guidelines delineate the corporate prohibitions in areas such as child labor for a company's vendors, contractors, and subcontractors.

What is now so painfully obvious is that codes of conduct alone will not solve the problem. Major retailers and manufacturers repeatedly have been found to have ties to companies that violate their codes of conduct.

What consumers have experienced is their trust being misplaced and misused. What companies have experienced is a role of simply "putting out fires," when the media scrutiny hits. Their self-monitoring -- well-intentioned or not -- is not working effectively. Consumers do not feel assured by it, and frankly do not buy it.

Consumers want more than nice sounding words and pretty sentiments. We want more than companies simply reacting to problems when they are uncovered. Consumers want corporations to agree to and set up independent monitoring of their contractors and subcontractors. What we expect is active and concerned corporate intervention to end the abuse.

I thank the Labor Department for its attention to child labor exploitation. Your financial support of the International Labor Organization's IPEC project; your moral support of initiatives, such as RUGMARK; and your continuing research are commendable and appreciated.

ATTACHMENT ONE

Letters From Consumers

April 25, 1996

Ms. Darlene Adkins

Senior Program Associate

The Child Labor Coalition

c/o NCL, 1701 K St, NW, Suite 1200

Washington DC 20006

Dear Ms. Adkins:

BEST COPY AVAILABLE

Thank you for your letter of April 8, the information, and the postcards. I sent them to Service Merchandise, L.L. Bean, Show Place, Spiegel, and J.Cr. I feel better now that I am doing something towards helping the children in forced labor.

I wanted to ask you whether you have a document that justifies wanting to abolish child labor. I am convinced that it should be abolished because the torture of children should not be tolerated, no matter what; however, many people I have tried to talk to about this issue insist that it is better for the children to "at least have a job and not starve," and that my effort to end child labor will just "make the children's lives worse, as the industry based on their labor collapses." I am not knowledgeable in economic or trade, and I don't have answers for these people; all I know is that forced labor is wrong and should be abolished.

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I would appreciate your advice on this. Also,

I wonder if you have even a partial list of retailers who do not sell the products of child labor. I am now afraid to buy anything, lest it be made by abused children! I read in Harper's Bazaar magazine that Secretary of Labor Robert Reid "issued a document called the Fair Labor Fashions Trendsetter List, a compilation of companies in the garment industry that are attending to the working conditions in their domestic facilities." (Harper's Bazaar, April 9) Does this list also include companies that refuse to sell child labor products?

Thank you very much for your help. Could you please send me more postcards? I enclose a check with this letter.

B. Esther Lavack.

BEST COPY AVAILABLE

[REDACTED]
[REDACTED]
PITTSBURG PA 15232

195

5th FUR POSTCARDS

May 15, 1996

International Labor Organization
 Attn: Jean Decker Matthews

Dear Jean,

I have read an article in Life Magazine regarding Child labor & child slavery in other countries. The article also stated that some of our own corporations are indirectly involved. This not only concerns me but angers me. Please send me any information you have and any outside sources you can refer me to so I may do my part in seeing this monstrosity changed. Thank you for your help.

Sincerely,

~~Robert J. Matthews~~

~~800 847-6349~~

Inverness, IL 60067

~~847-831-5768~~


Tel: (847) 847-8315 - home

(847) 847-8315 - work

~~Robert J. Matthews~~

BEST COPY AVAILABLE

~~1000 1000 1000~~
Pittsburgh PA 15232
March 26, 1996




Darlene Adkins
The Child Labor Coalition
c/o The National Consumers League
815 15th Street
NW Suite 928-N
Washington, DC 20003

Dear Ms. Adkins,

I am writing to request a list of U.S. Companies whose suppliers or manufacturers do not employ child labor, here or abroad. I do not want to buy any products in which children were used and abused. Please include the garment industry in your list. I have credit cards with several clothes stores, and if they sell products of child labor, I will cancel them and stop buying. I want to exercise my power as a consumer, so I would be grateful if you sent me a list of "good" companies at your convenience. Thank you very much.

Sincerely,

~~E. Allen Smith~~



ATTACHMENT TWO

**U.S. RUGMARK Campaign
Consumer Action 1996**



U.S. RUGMARK C A M P A I G N

C/O THE NATIONAL CONSUMERS LEAGUE, 1701 K STREET, NW, SUITE 1200,
WASHINGTON, DC 20006 (202-835-3323) FAX: (202-835-0747)

Summer 1996

Dear Consumer Activist:

Thank you for your continuing efforts to end child servitude in the carpet industry. Your community-based activities to promote the RUGMARK label are very important. We ask for your continued support.

Very soon, the U.S. RUGMARK Campaign expects to announce two major importers and a U.S. mail order company as RUGMARK carpet suppliers. Every week, more manufacturers are seeking certification with RUGMARK-India and RUGMARK-Nepal. This is a critical time to encourage U.S. importers and retailers to buy and sell RUGMARK carpets.

As many consumers have become aware of child servitude in the carpet industry and of the RUGMARK label, demand has increased. Consumers want RUGMARK carpets.

Our U.S. RUGMARK Campaign must encourage retailers to carry RUGMARK carpets and respond to consumer inquiries related to where they may find RUGMARK carpets. It's a job only our hundreds of community-based, consumer activists can accomplish.

Please read over the enclosed materials. Do as much as you can. As several organizations are involved, you may wish to consider coordinating your activities with those of other organizations in your area. If we can be of further assistance, please do not hesitate to contact us.

Darlene
DARLENE ADKINS
National Consumers League
(202) 835-3323

Kolya
KOLYA BRAUN
Women's Division
United Methodist
Church
(212) 870-3766

Laurie
LAURIE COOPER
General Federation
of Women's Clubs
(202) 347-3168



U.S. RUGMARK CAMPAIGN

C/O THE NATIONAL CONSUMERS LEAGUE, 1701 K STREET, NW, SUITE 1200,
WASHINGTON, DC 20006 (202-835-3323) FAX: (202-835-0747)

RECOGNITION OF RUGMARK

- U.S. Department of Labor supports RUGMARK Initiative (October 1995).
- UNICEF endorses RUGMARK Initiative (1995).
- The German Government endorses RUGMARK Initiative (February 1995).

RECENT RUGMARK DEVELOPMENTS

The RUGMARK Foundation - USA is in the process of incorporating. The foundation will direct the RUGMARK program in the USA, to include working with private and governmental agencies and organizations on programs designed and dedicated to providing education and rehabilitation programs to working children.

Representatives from the U.S. RUGMARK Campaign and the European Campaign against Child Labour in the Carpet Industry independently reviewed the RUGMARK-India program in 1996. Both delegations found the operation is efficient, with mechanisms for internal checks. Even and especially in the Carpet Belt (where carpets are produced), the staff of the RUGMARK Foundation have the reputation of being absolutely incorruptible. The present inspections meet the highest possible standards. The label is credible and the inspection and monitoring process is well in place.

- RUGMARK-Nepal formalized in June 1996 by 30 carpet manufacturers (representing more than 70 percent of Nepalese carpet exports).
- First RUGMARK carpets arrive in U.S. for an April 16, 1996 silent auction in Washington, D.C.
- The U.S. RUGMARK Campaign collected more than 15,000 consumer signatures on petitions to importers/retailers requesting that RUGMARK carpets be made available to consumers.
- More than 220,000 RUGMARK-India carpets have been exported to Germany.
- 75 RUGMARK-certified carpet manufacturers in India. Share of RUGMARK-labelled carpets is 15 to 20 percent of the production in the major manufacturing areas in India.
- Preliminary meetings and growing interest in Pakistan to establish a RUGMARK program.
- Substantial promotion of the RUGMARK label in Germany, the United Kingdom, the Netherlands, Switzerland, Norway, Sweden, and the U.S. Campaigns are gearing up in Canada, Australia, and other European countries.



U.S. RUGMARK C A M P A I G N

C/O THE NATIONAL CONSUMERS LEAGUE, 1701 K STREET, NW, SUITE 1200,
WASHINGTON, DC 20006 (202-835-3323) FAX: (202-835-0747)

U.S. RUGMARK CAMPAIGN CONSUMER ACTION 1996

The U.S. RUGMARK Campaign asks community activists to work with us on a three-phase RUGMARK action plan for 1996. The objectives are three-fold: To encourage retailers to carry RUGMARK carpets; to identify the retailer-perceived barriers to supporting RUGMARK; and to respond to consumer inquiries related to where they may find RUGMARK carpets. Our goal is to build a database to link retailers with consumers who wish to purchase a RUGMARK carpet and in doing so to encourage retailer commitment to RUGMARK.

Phase One:

Make a list of retailers (store name, address, and telephone number) who sell hand-knotted carpets in your city. Look in the yellow pages of your telephone book. If you are not sure if they carry hand-knotted carpets, call to inquire. You will find hand-knotted carpets in Oriental rug stores, quality department stores, and home furnishing stores.

Mail our pre-printed postcard to all the stores on your list (see attached sample postcard). *Postcards will be available by June 30, 1996. Request postcards from: National Consumers League, 1701 K St., NW #1200, Washington, DC 20006.*

Phase Two:

Telephone Survey: Make a follow-up call to the managers/owners of all stores that were sent a postcard. (see attached Telephone Survey Form - copy as many as needed). *We recommend that you allow six weeks between mailing the postcard and making your telephone call.*

Mail completed Telephone Surveys to U.S. RUGMARK Campaign, c/o National Consumers League, 1701 K Street, NW, Suite 1200, Washington, DC 20006. *Recommended completion date: November 15, 1996.*

Phase Three:

The U.S. RUGMARK Campaign will create a database in Washington, D.C., using the telephone surveys collected by you and other volunteers.

The database is for consumers who desire information on the nearest source of RUGMARK carpets in their community. *Expected introduction of database: November*

30, 1996.

In house printing by the National Consumers League





U.S. RUG MARK C A M P A I G N

C/O THE NATIONAL CONSUMERS LEAGUE, 1701 K STREET, NW, SUITE 1200,
WASHINGTON, DC 20006 (202-835-3323) FAX: (202-835-0747)

TELEPHONE SURVEY FORM

CONTACT NAME/TITLE (i.e., owner, manager): _____

RETAIL STORE NAME: _____

RETAIL STORE ADDRESS: _____

CITY/STATE/ZIP: _____

RETAIL STORE TELEPHONE NUMBER: _____

DATE OF CALL: _____

PROCEDURE:

- Ask to speak with the store owner or manager.
- Remind the owner/manager of the postcard which was sent. Stress that you are compiling a list of local retailers who carry RUGMARK carpets in their stores or who intend to carry them soon. The information will go into a national database to match consumers with retailers who carry RUGMARK carpets.

QUESTIONS TO ASK: Please record the responses.

1. From what countries do you import hand-knotted or hand-tufted carpets? (Please list)

2. Do you have RUGMARK-labelled carpets in your store?

YES ____ NO ____ NOT YET ____ DON'T KNOW ____

- a) If the answer to Question #2 is YES...

Thank and assure them that their store will be added to the database.

- b) If the answer to Question #2 is NO...

Ask them their reason for not carrying RUGMARK carpets. (Responses may vary from not selling carpets from countries with a RUGMARK program; lack of information/understanding about RUGMARK and sources for carpets; to specific concerns about the program). Please record their response:



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RUGMARK SURVEY CONTINUED

Check here if the retailer would like an information packet about RUGMARK (which will include a listing of manufacturers and importers of RUGMARK carpets).

YES _____ NO _____

c) If the answer to Question #2 is NOT YET...Ask if they have ordered RUGMARK carpets.

YES _____ NO _____

If the answer is YES, ask the date of when they expect to have RUGMARK labeled carpets in their store?

DATE _____

d) If the answer to Question #2 is I DON'T KNOW...

Ask if they would like to receive information in the mail on RUGMARK (which will include a listing of manufacturers and importers of RUGMARK carpets).

YES _____ NO _____

• • • • •

TELEPHONE INTERVIEWERS:

Please Identify Your Affiliation (if applicable):

____ GFWC ____ UMW ____ OTHER (specify): _____

Please mail this completed telephone survey by November 15, 1996 to: U.S. RUGMARK Campaign, c/o National Consumers League, 1701 K St., NW, #1200, Washington, DC 20006; fax (202) 835-0747.



From: _____

\$.20

produced by the National Consumers
League, 1701 K St., NW #1200,
Washington, DC 20006

TO:

Do You Know About RUGMARK?



RUGMARK is a voluntary
program to eliminate child
servitude in the carpet industry.
Manufacturers of hand-knotted

and hand-tufted carpets may be certified to use the
RUGMARK label if they meet stringent
requirements to assure that no child labor is used.

RUGMARK programs are active in India and
Nepal. Negotiations are underway for
RUGMARK-Pakistan. The goal is for all carpet-
producing countries to establish a RUGMARK
program. RUGMARK-International, which
certifies and monitors RUGMARK-licensed
manufacturers, is an international foundation,
endorsed by UNICEF in India and Nepal.

For more information about RUGMARK,
contact RUGMARK-USA at 110 Maryland Ave.,
NE, #74, Washington, DC 20002; (202) 544-7198.

Dear Retailer:

There is a growing demand for RUGMARK
carpets by American consumers. We ask you to
fulfill the consumer demand in this community by
carrying RUGMARK-labelled carpets in your
store.

Consumer volunteers are compiling a list of area
stores which carry RUGMARK carpets. We will
forward the information we collect to
RUGMARK-USA which will create a national
database to match consumers and retailers.

Within a few weeks, you will receive a telephone
call to inquire whether your store carries
RUGMARK carpets. We will also be interested to
hear your thoughts about the RUGMARK
initiative.

We urge you to support RUGMARK and help
consumers have access to RUGMARK-labelled
carpets.

Thank you.

Nike in Indonesia

Jeff Ballinger

BEST COPY AVAILABLE

Executive Summary

Nike moved much shoe production from S. Korea and Taiwan to China and Indonesia in 1987.

Low wages and repressive acts against striking workers kept margins high for Nike. The press reported one contractor cutting wages by \$.03 per day, obviously looking for rock-bottom.

Indonesia's shoe exports increase from \$3 mil. in 1986 to \$500 mil. in 1989.

Criticism of the rapacious foreign investment shoe factories becomes common in the Indonesian and foreign media. The industry is even singled out in the 1992 State Department's Report to Congress on Human Rights.

Nike moves to stem criticism with "Code of Conduct" and Memorandum of Understanding signed with all contractors in Indonesia.

Abusive practices continue; scores of workers are fired for protesting violations which Nike officials deny.

Press clampdown in Indonesia on shoe factory stories.

Press for Change runs ads in Boston, Los Angeles and Portland, OR which explain exploitative conditions in factories of Nike's contractors in Indonesia.

Addressing issue of recalcitrant contractors, Nike hires Ernst and Young to oversee compliance with Code of Conduct. At long last, all contractors begin to comply with minimum wage regulation.

Contractors respond to Nike edict on minimum wage payment by raising production targets to recapture lost margins. Increased strike activity related to brutal speed-up and concomitant physical punishment for mistakes, refusing overtime, etc.

Workers fired for protest actions are often interrogated by the military, contrary to explicit promise to U.S. officials in 1994. But workers continue to win cases in the labor courts. One four year-old case of 24 workers dismissed from a Nike-producing goes before the Supreme Court in Indonesia.

Press for Change research -- circulated in five newsletters in the last two years -- helps build international pressure campaign. Groups in Germany, Australia, France, Holland, Italy, England and elsewhere begin to question Nike's production practices in Indonesia; Canadian group, Development and Peace, sends 86,000 petition signatures to Nike in support of independent monitoring.

Shareholder resolution on independent monitoring submitted by Methodist group (holds \$7 mil. in Nike shares).

Member of Portland school board calls for the rejection of Nike's \$500,000 gift, citing abusive labor practices at contractors' factories. Meets with Nike CEO Philip Knight and calls for independent monitoring.

Production of Nike brand sports footwear began in Indonesia in 1986. That year, total exports of footwear from Indonesia was less than \$8 million; by 1995, it had increased to nearly \$3 billion. The apparent reason for Nike's sourcing shift was simple: democratic reform was coming to South Korea and Taiwan, where the great majority of the company's shoes had been made since the early 1970's. With corrupt military leaders out of power, unions would gain new freedom and wages would rise. In fact, wages for shoe workers in South Korea tripled between 1987 and 1991.

Nike does not produce their famous shoes themselves. Contractors - most often Taiwanese and South Korean firms - compete for orders. When the shift began, Nike officials knew that they would have to ease the process of moving for their contractors. According to Nike Vice-President for Asia, Neal Lauridsen, contractors were promised a certain amount of orders to take some of the uncertainty out of the move. 1 It is interesting to note that the primary countries of relocation were China and Indonesia -- the same two countries rated the worst for foreign investors that same year by a Hong Kong-based business consulting service, according to an article in the Asian Wall Street Journal.

China and Indonesia received the worst ratings because of rampant corruption. For companies relocating factories from Taiwan and South Korea, this meant that they could make an almost seamless adjustment; "corruption" meant that local officials could be paid off and police and military units would, in effect, be standing at alert for signs of labor unrest. Bribing foreign officials is illegal for U.S. firms under the Foreign Corrupt Practices Act. In Nike's case, however, the company was a "buyer" -- a convenient "arm's length" from the production process. The bribes paid to local officials in Indonesia meant that factory managers did not have to fear labor standards inspections; once they slammed their factory gates shut in the morning, they could do anything they pleased -- for as long as they pleased. In 1988, for example, Indonesia's 700 field inspectors from the Ministry of Manpower found over 13,000 violations but only about 15 cases made it to the first adjudicative step.

"Management by terror" is the way Donald Katz describes the South Korean bosses in Indonesia's Nike-producing factories. 2 It became clear in the first couple of years that Indonesian workers would be pushed to the limit. Only then -- when "rock bottom" had been found -- would management relent. In one case, workers' wages were cut by \$.03 per day; the workers rioted and got the previous wage restored.

In 1988, the minimum wage in West Java, where the shoe factories were located, was \$.83 per day. This was only 56% of the figure the government used as "minimum physical needs" (MPN) for a single adult worker. It is interesting to note that the MPN measure was designed to assist prison administrators in their preparation of budgets and, years later, full-time workers making expensive goods for export cannot even earn enough to reach this standard. 3 A study carried out in 1988-9 of women working in light manufacturing around Jakarta found that 88% of those earning minimum wage were malnourished. The research was done by an industrial hygienist from the U.S., Mary White, two university-based researchers and ten Indonesian physicians. They monitored the health of over 500 women for two years. 4

Clearly, then, the young women working in the shoe factories were forced to accept overtime work in order to make enough money for bare subsistence. This could be achieved with "moderate" amounts of overtime -- ten to fifteen hours per week. In order to save a few dollars or send some money home to their families, workers would have to work 60- to 70-

hour weeks. Another study, done in 1989 for the Jakarta office of the International Labor Organization, showed that extremely high amounts of overtime were also common in the textile industry.⁵ This practice has many untoward effects. First, tens of thousands of new jobs could be created if work was limited to 40-50 hours per week. Second, exhaustion and related injuries could be reduced. Third, productivity rates would increase with less quality control problems. While each of these policy issues were presented in the paper, no public discussion ever took place and the groups which may have benefited from the research (to push these policy prescriptions) were not allowed to review the research findings.

Not all employers were taking advantage of the workers. A 1990 research report found that Unilever (Holland/U.K.) was paying production workers over ten times the minimum wage.⁶ In the sport shoe industry, Bata - a Canadian company using "Western" management - was paying well over the minimum wage in 1990 and workers had a 64-page collective labor agreement with clauses which guaranteed workers seniority increases for daily pay rates, among other benefits and protections.

Throughout 1989-90 strikes and protests rocked the sport shoe factories which were now producing over \$550 million worth of shoes for export (1990). Articles began to appear in the Indonesian press which called on South Korean bosses, in particular, to be less abusive toward their workers and to comply with basic labor laws. Seeking to substantiate workers' charges of widespread minimum wage violations, the Jakarta office of the Asian-American Free Labor Institute (AAFLI) undertook a minimum wage compliance survey. Using thirty surveyors, the project -- funded by a "Human Rights" grant from the U.S. Agency for International Development -- documented wages paid at over 400 Jakarta-area factories. In all, 2,600 workers were interviewed.

The results were shocking. Workers reported that over 45% of the enterprises had illegal pay policies. The minimum wage -- still only \$.83 per day -- was often reduced by 20-25% as a "training wage" for new workers. Most of the foreign-investment shoe factories used this illegal practice and, years later, Nike would admit that a "large number of workers" were still being paid an illegal training wage (1994). The Indonesian government was not surprised by the findings. Indeed, security officials had intervened to block a main element of the AAFLI project -- the posting of banners in industrial areas (similar to those used in health and safety campaigns) which would merely inform workers of the legal minimum wage. The security officials cited a fear of widespread rioting should the banners be hung.

The foreign-investment shoe companies were now under some pressure to address questions regarding their abusive labor practices. It should be noted, however, that this pressure was coming from the Indonesian media and, to a lesser extent, from Indonesian officials who hoped to stem a rising tide of industrial unrest. These same officials had to put together a credible strategy to deal with the threat to Indonesia's privileged trading status under the Generalized System of Preferences (GSP). These officials knew that the "Four Tigers" (Singapore, South Korea, Taiwan and Hong Kong) had built their export-driven economies to a large extent on access to the U.S. market and that such access was made much easier by GSP - a complete tariff waiver for 4,000 different export goods.

The GSP law carried some "labor rights" provisions. The Indonesians actually had little to fear from the U.S. Trade Representative's office (USTR - in charge of reviewing labor rights

"petitions"); the privileges had only been denied to countries which the White House had wished to castigate, such as Nicaragua and the Central African Republic. Even so, the officials seemed to adopt a policy of combined press liberalization and manipulation in order to convince skeptics that they were, in fact, pressuring employers to pay the minimum wage. Each week, dozens of strike-related stories appeared in the press along with pronouncements from the Manpower Ministry that recalcitrant employers would go to jail. The increased press coverage had the effect of increasing the workers' knowledge about the minimum wage and, with government promises to send bosses to jail, ever more workers organized protests, work stoppages and marches to government offices to demand redress of their complaints.

Media Indonesia, a popular daily ran a very aggressive three-part series on the sport shoe factories in the Spring of 1991. With headlines such as "World Shoe Giants Rape Worker Rights" and "Maximum Work for Minimum Wage" the papers editors stirred things up. (Reebok was ridiculed for giving out human rights awards while remaining silent in the face of mounting evidence of abusive practices by the company's contractors in Indonesia.) Very harsh caricatures of brutal bosses appeared alongside shoe factory items in the English-language Jakarta Post. Articles also appeared in the Asian Wall Street Journal, the Economist of London, the BBC, Thames TV, The Far Eastern Economic Review and a host of other international publications.

Despite this growing evidence which showed that their contractors were clearly out of control, Nike had a weak public response: "We're just buyers; we don't control what goes on in the factories." Meanwhile, behind the scenes, Nike officials were reported to be bristling with anger, phoning U.S. government officials with complaints about being unfairly singled out.

The U.S. trade unions' GSP complaint against Indonesia was "reviewed" by the USTR, adding some intensity to the rhetoric of reform. About the same time, a letter went out from Indonesia's Manpower Ministry to all provincial offices requiring evidence of labor law enforcement; reports concerning trials of law-breaking employers were sprinkled about in the press and Korean bosses were exhorted to follow regulations and quit mistreating workers. Finally, an Indonesian delegation went to Washington to present evidence of their sincerity and dedication to the task of protecting workers. In addition, the U.S. law firm, White and Case, put together a two-kilo bundle of often-contradictory documents meant to bolster the Indonesian's case. Behind the scenes, however, Manpower Minister Cosmas Batubara crafted a cynical sell-out of the Indonesian workers. He issued a ministerial decree that allowed employers to count up to 25% of worker "benefits" (such as transportation allowances and meals) as wages -- a direct annulment of Indonesia's law concerning wage payments. This decree had the effect of lowering the already miserable minimum wage. Note that the underlying law was never changed and, therefore, should still take precedence. Overnight, there was a dramatic improvement in minimum wage compliance numbers, since almost all employers were paying 40-to-60 cents per day for workers' transport and/or meals. This confusion about the minimum wage continues to be a problem, with employers using the decree to avoid compliance.

In 1991, the shoe industry was the subject of an important study. The Hague-based Institute for Social Studies assisted researchers at the Bandung Institute of Technology (IPB) in designing the project -- a

comparison of conditions at the huge foreign-investment factories and small Indonesian shoe makers. The IPB team first presented their findings to a group of shoe industry executives. One of the executives objected to the assertion that uniformed military were observed in some of the large enterprises. Others at the meeting, however, verified the practice. Weeks later, the team addressed a gathering of the All Indonesia Workers' Union (SPSI), the timorous, government-approved federation. Press reports about the meeting were fairly accurate and yet another unflattering picture of the foreign-investment sport shoe industry emerged. Kompas, Indonesia's leading daily, ran a second story few days later. In it, the IPB report was attacked as "just so much noise" by the head of the influential Investment Coordination Board, Santoyo Sastrowardoyo. Within days, a Kompas editorial carried the opinion that the issue of shoe workers low wages was too sensitive to be discussed publicly.

The investment chief's defensive posture is easy to explain: Investment in footwear factories had shot up from \$82 million in 1988 to \$994 million in 1991. The word on Indonesia was spreading fast among investors -- the South Korean and Taiwanese contractors who were attracted by cheap labor and lax enforcement. It is likely, however, that the all-important buyers (Nike, Reebok and others) were becoming upset by the unfavorable publicity. Overnight, aggressive reporting on the industry all but disappeared from the pages of Indonesian newspapers.

Although pressure from the press slowed, grassroots labor activism was gaining momentum and becoming a real force for change. Indonesia is nearly a classic example of a military-dominated autocracy, but one feature sets it apart from most others: a plethora of independent non-governmental organizations. Many NGO's have long-standing relationships with Western donors. Because the legal nature of these ties are often less than clear, the indigenous NGO's often limit their agenda to "safe" activities and, if they work in "security-sensitive" fields such as labor, they (and their overseas partners) have a keen awareness of where the lines are drawn. In the early 1990's, however, workers and activists began to break down many of their self-imposed barriers, perhaps emboldened by the government's apparent endorsement of protests against cruel bosses. As worker-education activities multiplied, it became more and more obvious that the state-supported trade union, SPSI, could not "deliver" in any meaningful way. Similarly, the government had raised expectations by promising to punish lawbreakers but did not follow through. Predictably, an independent trade union sprang up in 1991 and was quickly dismembered by the security forces.

Because worker mistreatment had become a visible issue, the buyers' efforts to disclaim responsibility became untenable. The foreign investment shoe companies were even singled out in the State Department's 1992 Human Rights Report to the U.S. Congress. This reference to the pernicious influence the out-of-control shoe factories were having on labor standards in Indonesia was clearly a jab at the U.S.-based buyers. Nike's response to the pressure was a "Memorandum of Understanding" and a Code of Conduct for contractors, ostensibly compelling the managers to observe of all statutory norms.

The grudging admission by Nike officials was twofold: that they had not been able to control their contractors and, more importantly, that they had a responsibility to do so. Prior to 1992, the company's response, when faced with the question of mistreated workers, was "We're just buyers". However, the shift -- from an arm's-length relationship (vis a vis the contractors) to a promise of responsible oversight -- did not reflect a corporate change of heart but mere damage-control. Nothing illustrates this better than the issue of the "training wage."

Beginning in 1989, stories appeared in the Indonesian press about the shoe factories' law-breaking. Most often, workers were protesting and striking over minimum wage violations. While the minimum wage was less than one dollar per day, shoe factory managers were routinely deducting up to 30% of the first three months of new workers' wages. For four years, Nike officials defended the practice and publicly maintained that all of their contractors were paying legal wages. The payment of the training wage started well before Nike's "Code of Conduct" and lasted long after. It was a full two and a half years before Nike admitted that contractors had been paying an illegal "training wage." (October, 1994) A very conservative estimate of the amount of money stolen by Nike's contractors from poor young Indonesians over this period \$390,000.* Nike has never made any offer of restitution, even though about half of this amount was stolen after the announcement of their Code of Conduct and "Memorandum of Understanding" which bound all contractors.

To put this number of dollars in perspective, the total cost of the minimum wage compliance survey -- interviews with thousands of workers at over 600 factories -- was less than 10% of the "training wage" rip-off.

The transition Nike made from the period of complete denial to public acceptance of responsibility did little to help workers. Because of intense worker pressure, the minimum wage had risen from \$.83 per day to \$1.30 per day, at the time the code was written. The latter amount was still well short of the government-set "minimum physical needs" (MPN) for a single adult. This MPN figure was roundly criticized as inadequate since it used a 1956 "market basket" which foresaw workers using woven sandals, straw mats for sleeping, etc. Moreover, MPN was not revised regularly and did not reflect the effects of inflation, which was averaging 10% per annum in the late 1980's. The government's infrequent adjustments to MPN (see graph, att. 1) resulted from a bureaucratic process which did not involve workers. Independent NGO's estimated the true MPN to be something nearer to \$4.00 per day in 1993.

Still, Nike's public relations campaign portrayed the company as a leader, not doing only what was required by law. The fact is, Nike's contractors were continuing their blatant law-breaking. This was reported by Nike's "home-town" newspaper, the Portland Oregonian and many other papers and news magazines. Nike Chief Executive Officer, Phil Knight, wrote a scathing attack on an article by Oregonian reporter Nera Baker. She had travelled to Indonesia, talked directly with workers, visited factories and interviewed government officials. Knight's attack repeated company assertions about the "best wages

* Calculation: 280 working days per year TIMES average 600 new employees TIMES average thirty-six cents TIMES six and a half years.

available" and happy workers. Nike would admit later that Bata -- a Canadian company making cheap shoes for the Indonesia market -- was paying much more than the Nike-producing contractors in Indonesia.

The early 90's was a time of extraordinary labor activism in Indonesia. The government's drive to build up non-oil exports made the attraction of foreign investment a top priority and low-skilled jobs came to Indonesia in a veritable flood. Standard-setting became a major headache at the Manpower Ministry. Officials there were long-accustomed to the practice of planting stories in the press that bore little relation to what was actually happening. Increased scrutiny -- foreign press reports and international human rights groups' investigations -- seriously complicated the task of those charged with the responsibility of enforcing Indonesia's labor laws.

Those who observed the often pathetic attempts to paper-over the exploitation of Indonesian workers -- most often young females from Java's villages -- were appalled. The sham inspections were a thin reed for the officials to cling to, as the following example shows: A Taiwanese factory manager in North Jakarta's export-processing zone was asked if his factory had been inspected recently. Of course, he replied. But, when pressed on how the wages were checked -- did they rely on computer records, interview the accountant, look at the books, talk to the workers, check wage stubs -- he refused to answer any more questions. Clearly, the "inspection" was no more than a verbal checklist, if the charade went even that far.

Nike's Code of Conduct and Memorandum of Understanding with contractors were a similar kind of charade, a way to deflect criticism. It is ridiculous, for example, to promise to defend workers' health and safety without trained industrial hygienists on staff. A conservative estimate would require about three full-time staff, on the road for no less than 200 days per year, to really protect 75,000 workers in 25-30 factories (Nike's estimated shoe and garment contractors in Indonesia). An example from Nike's production in the United States will illustrate the point: When they last produced shoes almost twenty years ago in a factory in Saco, Maine, the company was paying \$.95 per pair of shoes for Workers' Compensation alone. The Workers' Compensation insurance premium is calculated from the number of accident claims made against a company. While this would no doubt be much more common in a system where workers knew their rights and where claim processes were relatively transparent, it is clear that accidents were common. To sum up, the insurance costs alone at Saco (per pair of finished shoes) would be higher than the overall labor cost (per pair) for the first few years manufacturing in Indonesia. Finally, what would three health and safety professionals cost, if Nike was to get serious about the issue? A total figure for the personnel might reach \$600,000. But what about the fruit of their labor? Redefined tasks, safety monitoring devices, air quality improvements, training for supervisory staff of the contractors and special studies might add another one-time investment of \$2.5 million which the contractors would pass along to Nike. How would this affect

Nike's profits? Taking a 1995 profit of \$481 million, and estimating that only 22% is generated from Indonesia-based operations (\$106 million), health and safety would cost Nike less than 3% of that profit.

You can also compare the expenditures to the hundreds of millions of dollars spent each year in "above the line" expenditures such as endorsement deals and advertising outlays. One small example from 1993 was Nike's decision to get into golf (shoes & apparel). The company bought a golf "tour" to sponsor events and give the company a strong presence in the sport. What was unusual, however, was the six-page magazine advertisement which described why the company did it, how the negotiations proceeded, etc. The company repeatedly asserted that the money issue was not important. "Money was not an issue," the advertisement stated. In the Katz book, however, the production chapter raises the issue of paying workers in Indonesia decent wages and the question is framed as one of corporate responsibility to shareholders to maximize profits. What is more important to a company whose name has been valued at well over \$2 billion -- more sports-related promotional devices or an assurance that workers would not be mistreated, thereby eliminating a great deal of bad publicity? Either the choices are not framed in these terms or the company analyzes the risks (and benefits) and rejects intervention in the factories while spending ever more on promotion and advertising.

One of the most damaging stories about Nike in Indonesia was CBS-TV producer David Hawkins' segment on *Street Stories* in July, 1993. The team CBS sent spoke with workers who had been fired for protesting abysmal treatment, makers of the low-cost Bata shoes and Nike's Public Relations representative; CEO Phil Knight would not agree to an interview on camera but sent CBS a statement which said, in part, that critics did not understand the "parental role" of factories in Indonesia which produced Nike shoes. The legal and economic context in which the story was produced is quite interesting, since Nike spent millions of dollars each year running television commercials on CBS. For this reason (plus the fact that Nike was known to send their lawyers to do battle quite readily) it was astonishing to many that the story was ever broadcast; it was a very critical portrayal, starting with famous anchorperson, Ed Bradley warning viewers, "Prepare yourselves for a shock... (workers) can't make a living" while making Nike shoes.

Hawkins, who came to CBS in New York from Cable News Network in Atlanta, was extremely careful in gathering wage data because it was the most damning part of the overall picture and one of the most difficult issues to really understand. This is due to obfuscation on the part of the contractors who were feigning compliance with the Nike Code and Memorandum. Hawkins' research actually began two months before his crew and correspondent Roberta Baskin went to Jakarta. It also took into account years' of study done by independent researchers and NGO activists; these shoe workers' wages had already been a very contentious issue for almost five years. Despite these facts, Knight and his chief of communications, Liz Dolan, heaped scorn on the *Street Stories* team; the CEO refused to watch the segment. Dusty Kidd -- representing the company on camera and walking around a newly-built factory -- was totally unprepared to answer questions about wages and other conditions.

He arrived in Indonesia for his first visit only two days before he was interviewed. Nike could only, then, repeat generalities and express disbelief that lowly Bata was actually paying workers at wage levels that were three times the rate workers making Nike shoes. "Simple economics tells you that just cannot be true," Kidd told CBS. It was apparent that Nike either really did not know the facts or simply chose to put a hapless public relations staff member on camera, in hopes of confusing the issue.

More information about Nike's production practices appeared in stories written by journalists based in Asia. It was more difficult, presumably, for the company to refer one of these reporters to Hong Kong or Beaverton, Oregon. Mark Clifford and Adam Schwarz of the Far Eastern Economic Review, Richard Borsuk of the Wall Street Journal and Claire Bolderson of the BBC -- all were able to interview local Nike officials. Their reports made it clear that these men knew what was going on and, further, they had no intention to intervene on the workers' behalf. Most intriguing were the interviews with contractors; South Korean bosses readily admitted that their peers were prone to harsh, often violent, behavior. For example, J.Y. Park, a Korean who made Nike shoes in Indonesia for years, told Clifford, "Most Koreans are very hot-tempered, shouting, yelling and hitting." Problems arise, he continued, when they "try to treat Indonesians like Koreans."

(see, Selected information about South Koreans from ASIAN BUSINESS VALUES, special survey)

Workers say "Enough!" to continued abuse

"Courage is not the absence of fear but the triumph over it." Mandela

"We're proud of our activities there," Nike CEO Phil Knight has said about Indonesia, these are "some of the best, most desirable jobs in the Asia-Pacific region." Why, then, would thousands of workers be rioting and striking year after year? The scores of young Indonesians who have been fired from Nike-producing factories for organizing protests have taken risks almost unimaginable to those of us in the North. In June 1993, Christopher Hitchens wrote in *New Internationalist* and *Amnesty*:

"Often," he [the worker] adds, "the interrogators simply lay a revolver on the desk, or put it against the victim's head, shouting 'You're nothing...just speak!'"

Sacked workers' names are entered on a blacklist which is circulated among employers, removing any chance of their getting another job. The interrogation of ringleaders may last only six hours, but a lot can be done to a human being in six hours explains Amnesty International's Indonesia researcher."

The Progressive, a U.S. monthly, carried a similar story that same month, "SLAVERY Plain and simple":

...human rights advocates point out that the same engine of growth -- factory labor -- is pulling an extremely heavy load. They say wages and living standards remain low not because of market forces alone but because of corrupt elements in the Indonesian business community, government and military, who have conspired to prevent the nations growing wealth from trickling down to those who are creating it.

"It's slavery plain and simple," said H.J.C. Princen, a Dutch-born human rights advocate in Jakarta. "Development has created great wealth, but for the vast majority of Indonesians it has meant only suffering and more suffering. In exchange for the prosperity of a handful, the majority have lost their human rights."

Princen, together with labor activist Saut Artonang, organized *Setia Kawan* (Solidarity) in 1990. The authorities quickly crushed the fledgling movement after a strike by 13,000 workers at Gajah Tunggal, a tire manufacturer located near the shoe factories.

What's the Nike response?

The determined struggle of workers like Sadisah, whose case is now before Indonesia's Supreme Court, attracted support from all over the world. In 1992, just before the Summer Olympics, her wage stub appeared in Harper's magazine, the oldest political journal in the U.S. A description of her paltry wages was accompanied by accounts of her living conditions and what it was like to make Nike shoes. Finally, the article compared her wages to the endorsement fee "earned" by basketball star Michael Jordan that same year. The article stated that Sadisah would have to work for 44,700 years to earn what Jordan got from Nike in 1991.

David Boaz, the executive vice-president of a Washington-based conservative "think-tank" -- the Cato Institute -- wrote a letter to Harper's magazine which criticized the underlying premise of drawing attention to the exploitation of workers in developing countries. The letter asserted that only two generations earlier, workers in the United States faced the same situation: "Fortunately, the relatively free market in America enabled workers to get richer...eventually, the same process will happen in Indonesia -- if we let it," Boaz wrote. He also asserted that those wishing to raise Sadisah's wage to U.S. levels -- \$4.25 per hour -- would actually harm her by destroying Indonesia's comparative advantage; companies seeking low-wage labor would take their jobs elsewhere.

Six months later, Sadisah was working with two dozen other workers to raise wages at Sung Hwa Dunia, the Korean-run factory in Serang, West Java. A petition was presented to management with the workers demands and, when management refused even to meet to discuss the issues (illegally-low wages, among others), the twenty-four workers led a strike. After two months of interrogations and investigations by local police and the military, all the organizers were fired.

The workers were not seeking \$4.25 per hour, but only compliance with the lawful minimum in West Java at the time -- \$1.30 per day, with reasonable increases for seniority. Conservatives such as Mr. Boaz often use extreme overstatement -- multiplying Sadisah's actual wage demand by a factor of thirty-five, for example -- to mask an antipathy to any type of "wage-distorting" phenomena such as free trade unions or government-set minimum wages. Another manifestation of this approach came from a Bush appointee at the U.S. Agency for International Development when he (or she) learned of the Human Rights grant given to

AAFLI to monitor compliance with the minimum wage in Indonesia. Enforcing such laws "goes against all we've learned" about growing economies, according to the political appointee's critique.

Nike's response to Sadisah's struggle is even more troubling. In the Katz book, we learn that a Nike official accuses Sadisah of "destroying documents." Readers might therefore view her dismissal with equanimity and feel that the factory management had acted reasonably. In fact, no such incident took place; the copious court record gives no such evidence and Sadisah has signed a deposition which refutes the assertion.

The foregoing suggests that Nike relies almost entirely on the representations made by brutish contractors who are understandably anxious to gloss over inequities. Let us examine for a moment the single issue of Katz' inquiry into Sadisah's fate. He learned of Sadisah because of the CBS-TV segment which drew attention to her sacking. It is apparent that Nike kept only scant records (if any) on labor disputes for Katz to examine in preparation for writing his chapter on the Asian production scene. This sheds light on the company's lackadaisical monitoring of contractors' behavior -- in spite of numerous strikes, dozens of press reports and repeated sincere avowals that workers making Nike shoes in Indonesia were well-treated.

Further evidence of Nike's perspective can be gleaned from Katz' book. Liz Dolan, Nike's vice-president for communications, criticized the CBS story for not mentioning Reebok, which she derisively referred to as the "human rights company." She went on to castigate the CBS team for stopping off in Bali for a few days of relaxation on the way back to the U.S. CEO Knight refused to even watch the television program, according to Katz. His attitude toward criticism is best summed up by John Thompson's aphorism, "You want friends? Lose." Thompson, a member of Nike's board of directors and the coach of the Georgetown University basketball team, is controversial and combative. His prescription for dismissing critics might well be the logical extension of Nike's totem phrase, Just Do It.

Dolan's more explicit attack on the CBS team seemed intended to convey the message that their research was sloppy. Since the CBS program aired, however, Nike has acknowledged two of the program's most serious allegations: wage cheating by contractors and the far-higher wages being paid by Bata.

Nike also produced a video -- a compilation of interviews with Indonesian workers, industry analysts and Phil Knight. Workers' wages were superimposed on the screen as they talked about their jobs. At least one of the wages noted (in Indonesian Rupiah) showed that the worker was earning below the official subsistence level. To be sure, not many news organizations used the video (sources say that hundreds were sent around the United States) but the Knight segment did appear on CNBC-TV during a news report on the exploitation of Asian workers. Knight said that there were "thousands of Indonesians lined up outside the factories" eager for jobs. He also warned viewers to be careful because "one of these workers you see is so abused could end up being your landlord."

Later, in 1994, the company produced and circulated a Production Primer which addressed many of the issues raised over the years that the

company was producing shoes in Indonesia. While admitting, for example, that the lowest wages being paid were below the poverty line, the Primer asserted that many "benefits" workers received put them well above it. In reality, each contractor used a different formula and the Primer collected a handful of "best practices" and presented them as commonly shared by all workers. Much was made of company-provided housing whereas far from a majority of workers in Nike-producing factories live in these dormitories. Many who do live in them complain about overcrowding and some are being charged the equivalent of two or three days' pay each month. Similarly, "insurance" is touted as a great benefit to workers while the three to four dollars contractors pay for each worker every month goes into a government-run fund with a very poor track record for delivering payments to injured workers or the paltry "pension" payments the fund's planners envisaged.

While the Primer appeared to be giving a lot of information, there was little verifiable data. The Primer was built around the Code and Memorandum and emphasized that Nike personnel were diligently observing contractors to assure compliance with all worker-protection provisions. A much different view, however, came from Nike's chief of operations in Jakarta, a few months after the Primer appeared. He told a reporter from the Chicago Tribune that Nike "can't know" if contractors were adhering to the promises in the Code. Contrast this no-can-do attitude with the issue of contractors who might try to cheat Nike, by overproducing and selling shoes "out the back door" for sale on the vast "gray market." Nike is, of course, grimly vigilant in these matters; contractors found in violation are summarily dropped. An entire department was created inside the company to deal with this problem and Nike had a staff person -- a retired U.S. military intelligence officer -- who even hired "spies" to work in contractors' factories and report to him.⁷

Even though the Primer would seem the perfect place to provide details about Code enforcement, the eighteen pages of text yield but two cases of Nike expatriate staff investigating and acting on abusive labor practices. One is the "training wage" case, the other was the case of a line supervisor verbally assaulting a worker. The spurious nature of the Primer is attested to by Nike's own actions a little more than a year after it first appeared. Max White, an activist from the local (Portland, Oregon) chapter of Amnesty International, asked Nike's public relations spokesperson for a copy. She refused his request because she was of the opinion that he would merely use the Primer against Nike! Clearly, the Primer was intended for journalists who were too busy (or too lazy) to get the facts.

Conclusion

Nike acknowledges that, in the mid-Eighties, it enticed its contractors to move large amounts of production from South Korea and Taiwan to China and Indonesia. The company has also admitted that these contractors were acting in an unacceptable manner and needed to be controlled. However, after developing the mechanism which was to bind contractors to a set of standards, Nike failed to convince contractors of their resolve. The result is a system which continues to generate huge rewards for Nike but leaves workers in the unenviable position of fighting greedy contractors which are backed by a corrupt, authoritarian regime.

A footwear trade publication referred to Indonesia as a "buyers' paradise." Nike knows the costs of all components, shipping costs and related shoe-making expenses. The company also knows that the contractors are almost totally dependant upon Nike's huge orders and must cut prices to win contracts. Clearly, there is no alternative for Nike but to factor a living wage into the price it is willing to pay contractors for each order. To deliver on other promises of the Nike Code of Conduct -- such as protecting workers' health and safety, guarding against forced labor and preventing the physical punishment of workers -- Nike must agree to a system of independent monitoring. Workers will only speak frankly to people that they trust, away from the factory compounds.

footnotes

1) Mark Clifford "Spring in Their Step" Far Eastern Economic Review, November 5, 1992.

2) Donald Katz, "Just Do It, The Nike Spirit in the Corporate World," p. 172, Random House, 1994

3) Juni Thamrin, "Prisoners of Progress, A Review of the Current Indonesian Labour Situation" 1995 David R. Harris, Gen'l Editor
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4) International Labor Organization report, "Improvement of Welfare Facilities and Services for Women Workers," Mary C. White, Sc. D. 1989

5) ILO/United Nations Development Program report "Employment Consequences of the Plywood and Textile Products Export Surge," 1989

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The Business Journal

Shannon Gould

Child Labor

Hi, my name is Shannon Gould. I am 13 years old and in the 7th grade at George Mason Middle School in Falls Church, Va.

I became interested in child labor the moment I was old enough to understand what it is and how it physically and emotionally harms a bonded child.

My dad brings home information from the office, and we talk about it together. One night my dad came home from work very excited. He said there was going to be an episode of "Turning Point" about a man named Kailash Satyarthi. We sat down together and watched the program. The program was filmed during one of Kailash's raids of a rug factory using bonded child labor. I was absolutely horrified by the small rooms of rug looms, the small pot of rice the children had to eat from, and, most of all, by the confused children themselves. I saw children as young as 6 years old too confused to understand what was happening, although Kailash tried to explain. Many of the children had scars from what looked like being whipped with sticks and other objects. They also had cuts from the weaving knives they had to use to do their weaving. They cried with joy when they found out they were going to be free. I cannot fully express how I felt during the program, but my heart filled with sorrow for the kids. That was when I knew I had to do something to help.

Recently my friends and colleagues, Elizabeth Carter, and Adam Carter, thought about starting a chapter of Free the Children (USA) here in the area. What luck we had! The same week Craig Kielberger, a Canadian teenager who works against child labor, came to D.C. to testify before the Democratic Policy Committee. We (Adam, Elizabeth, and I) went to the hearing, and afterwards went out to lunch with him and were able to get his advice on how to start a chapter. He told us first to ask around and see if people were interested. We found, upon asking, that many people didn't know what the problems of child labor are, so we held an assembly to educate our peers. That was Monday, May 19th. Afterwards we witnessed many reactions. Before the assembly, many people told us that slavery has been abolished, that it doesn't exist anymore, and there is nothing that they could do to help even if there were a problem. After the assembly, the same people came to us and told us that they were interested and wished to join the organization.

I think the best way to get other teenagers involved with building up opposition to bonded child labor is through education. We are the consumers of tomorrow. If you educate us, then we will educate others. I believe that kids have a great influence on their parents. If the child tells his or her parents,

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"I don't want products made by child labor," I believe the adults will listen and take action.

There are two bills ^{that} have been presented to the U.S. You need to ^{help} pass both of these bills: the Harkin Bill in the Senate and its House version, the Frank-Sanders bill, and the Moran bill. We need to ban all imports made by child labor! We need more labeling systems such as RUGMARK, so that the retailer and the consumer know whether or not products have been made by children. I don't want anything that was or might have been made by a child! The only way I, as a consumer, will know is if you, the Congress, enact laws and if there are more labeling systems for clothes, soccer balls, fireworks, and all products which are made by defenseless children.

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International Child Labour Study
Bureau of International Affairs
U.S. Department of Labour
Room No. S -1308,
200 Constitution Ave.,
N.W., Washington, DC 20210

NUMBER OF PAGES : 3

FAX NO.: ++202 219 4923

Date : June 25, 1996

WRITTEN COPY OF THE ORAL TESTIMONY
JOSEPH GATHIA , CHAIRPERSON, CHILD LABOUR ACTION NETWORK
(FOR JUNE 28 , 1996)

Today no nation is an island and no national economy is independent. In this interdependence era where we all are concerned with the sustainable development, it is important to take stock of situation in the field of human rights which include children's rights. When the countries signed the Child's Rights Convention it was perhaps the great moment in the history as it was affirmative action to save future.

The issue of Child Labour is today very much in discussion and various strategies are being suggested to tackle the problem. No doubt each approach has its own strong points and weak points, but one would certainly agree that whatever action is undertaken it should not prove to be counter productive in the long run.

The Child Labour Action Network (CLAN) is of the opinion that the issue must be approached from 'positive welfare angle' where primary objective is to enhance the functioning and capability of individuals, thus expanding the radius of their positive freedom. Such process also aims at installing inner confidence, self esteem and self responsibility within individual. The well being of individuals in this approach is limited not only to the basic needs but also of their realisation of themselves as agents of society rather than just a target. The problem of child labour is both individual and social concern. The action is needed at both levels.

During past two years there has been talk of introducing boycott of goods made by child labour. This made many third world countries go to sit upright and take note of the child labour situation. No doubt such actions are governed by good intentions but its consequences for the foreign policy of U.S.A. and West can be 'disastrous'.

This is not to oppose introduction of any legislation. Any country is free to introduce law but such laws must be in consonance with the spirit of universal natural justice and freedom. From the dawn of the civilization mankind believed and religion propagated that 'punitive' measures cannot bring lasting change. More so the people of America have always promoted social change through 'change of

heart'. This is fundamental to American thinking, and above all universal thinking. Therefore, the purpose of my oral testimony is to plead to this august body and learned member here to widen its net and adopt such strategies and policies that will really eliminate child labour in the foreseeable future.

The CLAN wants to make its stand clear that it very much stands for the elimination of child labour and propogates for compulsory primary education to check entry of very tender age child into the labour market.

However, the CLAN feels that a balanced approach to fulfilling expectations also calls for attention to a new social dimension. Not much can be achieved in making economic policies respond to the elimination of child labour without undertaking a large measure of social empowerment: education, health, sanitation. The emphasis on rural development in third world that has been thought of should be socially conceived. The phenomena of urban decay which has for long been crying for attention but has been shaved aside as it did not exist. The responsible model of governance which can take care of human rights, forced labour, bonded labour and child labour, calls for transparency in the conduct of the state and right to information to the people.

Now that WTO and ILO both are geared up to take up the problem of child labour we place before here the following for consideration to effectively contain the problem:

1. Since majority of the countries are signatory of CRC a definite time bound programme of compulsory primary education must be emphasised to tackle the problem of child labour. For this the international agencies like IMF, the World Bank, EU, NAFTA, APEC etc. should pledge adequate resources and the national government must be made to spend more on the primary education.

2. While all form of child labour need be eliminated priority action should be in export-import sector. It has been noted that the 'sucking' of children into workforce is higher in export related items such as carpets, garments on hosiery, precious stones etc. The efforts must be to activate provisions of labour standards both with the framework of WTO and ILO rather than individual countries making separate laws. While national laws are important, there is a need for international framework to work effectively.

3. The importers must be equally held guilty of exploiting child labour as an exporter.

4. Include a clause in the bilateral aid programme so that it does not directly or indirectly increase the child labour in the recipient country. The recipient country should ensure this. A guideline on bilateral aid concerning child labour could be developed in consultation with the countries. This could be done either by the IMF/World Bank, WTO and ILO be made a party to supervise this in association with the trade unions, NGOs and civil society groups.

5. The CLAN is of the opinion that current efforts to single out one product and leaving the rest will bring more harm to the children. The Child Labour will shift to other areas and will go underground. So an effort must be directed to develop international mark indicating "Child friendly products". This will be affirmative action.

We strongly plead that before we enter into next millinum the world community need to put its best foot forward in eliminating child labour atleast from the hazardous occupations. The children are our seeds of hope and we must protect them from explotation.

I thank the US Labour Department for giving me this opportunity to express our point of view.

Thanks.

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NATIONAL CHILD LABOR COMMITTEE

National Committee on Employment of Youth ~ *National Committee on the Education of Migrant Children*

TESTIMONY of DORIANNE BEYER, ESQ. General Counsel of NATIONAL CHILD LABOR COMMITTEE on International Child Labor Practices

U.S. Department of Labor, Bureau of International Labor Affairs
Washington, D.C.
June 28, 1996

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**TESTIMONY of
DORIANNE BEYER, ESQ.
General Counsel and on behalf of
NATIONAL CHILD LABOR COMMITTEE**

June 28, 1996

**U.S. Department of Labor, Bureau of International Labor Affairs
Washington, D.C.**

Good Morning Secretary Reich, Deputy Under Secretary Otero, Associate Deputy Under Secretary Samet and Director Rosen.

I am Dorianne Beyer, General Counsel of the National Child Labor Committee, America's oldest, national voluntary membership organization dedicated to ensuring the health, safety and unimpeded development of child laborers. A brief view of the National Child Labor Committee's historic mission and its implementation will provide some context for my comments here today. We are also very pleased to be given the chance to comment on the Department's strategy in this area and with the Department's continuing and significant commitment to posing a strong and clear U.S. response to the globally destructive increase in exploitative and inexcusable child labor. We also hope that this commitment is strengthened as to domestic child labor concerns, as we can hardly claim the mantle of global leadership in implementing moral, ethical and political barriers to oppressive child labor abroad, as we watch our own young workers' child labor law rights legally and administratively deteriorate and our illegally employed minors' injuries increase.

National Child Labor Committee was incorporated by Act of Congress in 1907, as Washington then as now, recognized that exploitative child labor had to be stopped and chartered the NCLC in recognition of its leadership in leading the struggle to prohibit

oppressive child labor and regulate working conditions for youngsters, that culminated in the passage of the Fair Labor Standards Act of 1938.

It is noteworthy, at this present hearing, to remember that the long march towards national legislation and a societal commitment to its enforcement, was met with the implacable opposition that frequently masked economic greed in quasi-sociological terms. During the 1920s and 30s, when the United States was a markedly poorer and rural society, the argument was made and buttressed by the testimony of impoverished parents, that the earnings of children, no matter how meager, were absolutely necessity to help the family's support. We also frequently heard how the choices, actions and labor of the children belonged to their parents, not the government, and therefore personal freedom would be perniciously compromised by federal regulation.

In society at large, there was no significant opposition to this notion of parental ownership of children, their rights and their labor, as the current view of the inherent, inviolate and distinctive role of "childhood" was then an evolving, not universal norm. And children were always trotted before Congress to give gut-wrenching testimony of the starvation they would face at home without bringing home those wages from the mill or they would extol the laboring life over education, saying that for their lives as coal miners or subsistence farmers, they would hardly need formal training. It was said that corn detasseling, laundering work, paper flower-making, messengering and street hawking of newspapers, calendars or candy were traditional children's occupations in Nebraska, Pennsylvania, New York City, Denver or Kansas City, and therefore it was unacceptably arrogant for the government to prohibit or regulate children's labor in these roles. Immigrant families, it was proposed, had no other skills to sell and no other way to gain their economic foothold into the mainstream of American society than by taking in homework, be it garment piece work or paper flower assemblage at their kitchen tables,

with their children's nimble fingers multiplying the parents' output. Many claimed that child labor was a needed and laudable part of childhood development, teaching valuable lessons in responsibility, thrift and industriousness, while preventing those otherwise idle hours from being filled with illicit and debilitating activities like visits to pool halls, smoking cigarettes or getting into fights.

As history has taught, most of these seemingly ad hoc and persuasive points of view were in fact orchestrated by those industries that had the most to lose by national legislation. Those sectors--the textile industry, mining, news delivery, crop harvesting, retail trades and wire service offices--would, with the passage of standardized, national regulatory laws, no longer be able to rely on cheap and compliant child labor, but would have to reorganize to find other economies than earning that day's profits through the theft of tomorrow's childhoods. And so they did, as the interlocking network of contemporary state and federal child labor law protections have largely become absorbed by American families and integrated into the employment practices of the business community.

This brief summary of our own fight for child labor standards that would protect children and their childhoods must have a familiar ring to everyone in this room this morning. Instead of corn de-tasseling in Nebraska, today our equivalent concern is for 10 year old coffee harvesters in Kenya. Although laundry work by children is no longer found in Philadelphia, the abuse of young girls as domestic workers in Zimbabwe is rampant. We no longer see children on Kansas City's streets, selling lottery tickets or trinkets, but street vendors in Brazil are considered cannon fodder by their police.

National Child Labor Committee's traditional and unshakable advocacy for the individual child worker is no different today, when commenting upon the U.S. role in eradicating international child labor exploitation, than it was during decades gone by, when its focus

was on establishing a bare minimum of domestic worker protections for our own young people. And that is the principle that I wish to enunciate clearly and broadly today, as this esteemed panel considers various approaches towards strengthening the United States' commitment to and implementation of child labor eradication worldwide.

The National Child Labor Committee takes the position that in all U.S. efforts, be they legislative, regulatory, administrative or financial, the interests, protection and care of the individual child worker be paramount and uncompromised as we all seek effective amelioration strategies and techniques to abate the global trend towards an increase in ever more oppressive and even violent forms of child labor. This translates into U.S. support for a needed multi-pronged approach to child labor eradication, that always, however, includes an equally strong commitment to nurture and improve the life of each young worker who is displaced by our efforts to see the next generation's children thrive without the disabling burdens of exploitative labor. Before illustrating this proposition with some specific examples of its application, its' broad brush would, for example, require our government to push as hard for nation states' provision of truly free, universal, compulsory, relevant and high quality schools as for their signature on bilateral or regional agreements that bind the signatories to nothing more than an unenforceable commitment to prosecute its own, paper-thin, child labor standards. It would impel that U.S. support of domestic legislation or NGO actions that establish boycotts, diplomatic, trade or foreign aid sanctions and the like, also include the mandate that specific rehabilitation programs for displaced child workers and their families be undertaken and financed in the offending country, to ensure that we are not sacrificing them on the altar of merely theoretical child labor eradication gains. We must pursue, with equal zeal, both the targeted and complete rehabilitation and survival of the children and families our policies affect on the one hand and the urgent and unassailable aim of reducing and eliminating

oppressive child labor worldwide, on the other. We believe that both goals can and must be reached.

Corporate and NGO Efforts at the Elimination of Exploitative Child Labor

As to your inquiry concerning replicable and responsive child labor eradication techniques practiced by U.S. companies and NGOs, NCLC supports and lauds the Rugmark Foundation and its campaign, as described today. Its efforts at both empowering the domestic consumer to make ethical purchasing choices and in institutionalizing rehabilitation facilities and programs in carpet-producing nations for displaced child workers through its mandated contributions to the Rugmark Foundation, is instructive. We urge that this model be carefully monitored and expanded, as its concomitant goal of repatriating and rehabilitating child carpet weavers who are no longer allowed to labor at faraway looms in Dickensian workshops, is, we hope, effectively reached.

Additionally, we cite you the ground-breaking efforts of the Council on Economic Priorities, an NGO located in New York and dedicated to influencing and promoting greater corporate social responsibility. They have also been most helpful in assisting with and informing this testimony, for which I want to note my gratitude. Their international child labor efforts have progressed from their traditional role of critiquing U.S. companies' performance in combating child labor to their organization of a corporate council to cross-pollinate and institutionalize corporate commitment to child labor eradication. Their Partnership for Responsible Global Sourcing is an on-going committee of corporate representatives, aimed at improving their performance in developing, adopting, monitoring and coalescing with relevant NGOs on Codes of Conduct for eradicating exploitative and illegal child labor within their own companies and their contractors. The Partnership has,

thus far, signed off on a common mission statement and on CEP's Guidelines for Corporate Action on Child Labor.

Corporate Codes of Conduct in the Garment Industry

As to Codes of Conduct in the garment industry, there are a few examples of promising beginnings, which at this stage of corporate involvement in child labor eradication is all one can assess. Levi Strauss has led the way in harnessing the dual goals of eradicating child labor in its contractors and subcontractors manufacturing facilities worldwide, while at the same time providing alternatives for the child laborers displaced by their policies and ensuring that they are not abandoned to systemic poverty and the dangerous streets of the informal sector. After formulating and instituting its Global Sourcing and Operating Guidelines, it then addressed their consequences, such as reducing family income and encouraging such income replacements as begging and prostitution. Levi Strauss' solution was to include targeted, effective and humane remediation provisions for the displaced child laborers in its contractors' facilities in Bangladesh. They are paying for the displaced children to go to school, including the costs of their tuition, books and uniforms, until they are 14 years old, after which time they are offering them the option of returning to their factories, upon their lawful re-entry into the workforce. To implement its goal of eliminating child labor in its contractors and subcontractors facilities, Levi Strauss has conducted periodic audits of over 700 of these factories in over 50 countries, utilizing its Terms of Engagement Audit Form to assure uniformity and thoroughness in monitoring. One of its results has been Levi's supervision of required improvements in 25% of these factories and its elimination of business relationships with 5% of its contractors, who proved unable or unwilling to comply with the Guidelines. It also selects and rejects countries as sites for off-shore manufacturing pursuant to its Guidelines for Country Selection that include such criteria as impact on brand image, adoption of health and

safety requirements, commitment to human rights and legal requirements and the level of political or social stability. Additionally, Levi Strauss funds, by a donation of 2.5% of its pretax profits, its own foundation, which annually makes about \$10 million in grants to US-based community development programs.

However, it must also be said that payment of a fair wage, which is one that would support a family's basic needs, to its own and its contractors' adult workforce, worldwide, would easily eliminate both any perceived need for child labor, as well as the return to factory labor of 14 year olds. Under its own terms, Levi Strauss' founding role in creating Corporate Codes of Conduct must be noted and saluted. We can also glean that some of the necessary elements of the Levi Strauss program that make it successful are their continued commitment to their Code's implementation, in word, deed, effort and money. Such has not frequently been the case, as many international retailers of branded garments have ideal Codes of Conduct and ancillary ethical programs, which serve a useful public relations purpose, but lacking consistent executive priority and the necessary resources for remediation, do not serve anything else.

Another notable case is Reebok, which, in 1992, developed an impressive set of Human Rights Production Standards for its business practices and those of proposed contractors. They include a ban on child labor until the worker is 14 years old or at any higher age set in that state for compulsory education. It also funds its own foundation, which annually supplies about \$2 million of grants to youth development and international human rights organizations, the only U.S. corporation to so courageously support human rights work in general and children's rights work in particular. Just this month, Reebok announced its plans to ensure the eradication of child labor in its and its contractors soccer ball manufacturing workshops in Pakistan. First, it helped organize and financially support a Task Force on Global Manufacturing Practices to research the problem and develop

solutions. They founded a Pakistani manufacturing partnership to build and operate a new soccer ball factory dedicated solely to the production of Reebok balls. All work on the balls will be done at this site and all workers will be at least the minimum working age namely 15 years old. Additionally, those guarantees will be vigorously monitored. So they addressed the goal of child labor eradication. However, they also agreed to financially support educational and/or vocational programs in Pakistan, to provide a better future for its children. Although there are no further details on their rehabilitative remedy of providing education alternatives, and this plan has yet to be implemented, it is clearly an exemplary first response to the growing scandal of little hands stitching Reebok's soccer balls, intended for the play and enjoyment of many other little hands in the United States and elsewhere in the developed world..

Effective Codes of Conduct: Elements and Enforcement

Effective Corporate Codes of Conduct must wed their ethical intentions to continued and consistent monitoring and enforcement in order to effect the dual goals I have come here to advocate. There must be actual child labor eradication within the corporation and their contractors' facilities and there must be family sustenance support and additional underwriting of labor alternatives, usually schools and vocational programs, for the displaced child laborers involved. CEP estimates however, that about 75% of all current Corporate Codes are merely statements of general ethics and principles of good corporate citizenship and address no particular issue nor posit any remediation plan. About 25% of corporations that have Codes of Conduct include particular behaviors and related actions and responses to them in their statements and also commit the Corporation to continuing Code enforcement efforts, similar to Levi Strauss' Code. Again, those actions must include the provision of alternative income and developmental activities for the displaced youngsters. The most comprehensive Codes would address the underlying structure of

the production process or industry involved and would therefore be likely to require the most intensive and extensive remediation techniques. An example of this approach is Reebok, which could not effect compliance with its Code by policing the hundreds of far-flung workshops that produced soccer balls in Pakistan with illegal child labor. In fact, they could only claim success for child labor eradication by building and monitoring a new soccer ball manufacturing facility.

No matter how comprehensive and targeted any Code is, it will not effectively reach its goal unless there is a continued and clear commitment from the top of the corporation, followed by clear mandates and procedures, as well as financing to have it "rolled-out" to all relevant partners along with a consistent commitment to the process of monitoring, "retooling" and funding its' effectiveness. If those circumstances are not prioritized, we are again looking at paper promises, which will leave a trail of childhood ruin and debilitation in its wake.

International and U.S. Laws as Child Labor Elimination Tools

A complete review of the international and U.S. laws that could encourage the eradication of exploitative child labor can only be summarized here, as such would otherwise entail massive research and reporting efforts not contemplated by this hearing. However, the United Nations is the source of most international legal restrictions on child labor. Its Supplementary Convention on Slavery, the Slave Trade and Institutions and Practices similar to Slavery of 1956 could certainly be applied to many developing world child labor transactions, as it defines slavery as "Any practice whereby a child under the age of 18 years is delivered to another person, with a view to the exploitation of the child or his labour." This certainly would include most child prostitution, many carpet-making

employment abuses and a number of forms of indenture-type child labor in agriculture, to name but a few applications.

There is also the ILO's Convention No 138 (1973), which sets a minimum working age of 15 years old for most states, 14 years old for those considered at a particularly undeveloped state of economic progress and 13 years old for work which is not likely to harm a child's health or development. Working through UNICEF or other UN unit, that Convention could be made the centerpiece of all UN child development, economic development and infrastructure commitments to those nation states who are its grossest violators. The authority for that power is in the U.N. Charter, Article 56, which states that the members agree to take actions in support of Article 55's promotion of solutions of international economic, social, health and related problems, as well as the members commitment to promoting higher standards of living and conditions of economic and social progress and development.

The United Nation's Economic and Social Council, UNICEF, the World Bank, the World Trade Organization and the Organization for Economic Cooperation and Development are also authorized to collaborate on social and economic development issues, with governments, NGOs, trade unions and employer groups, an empowerment that has never been used to ameliorate child labor abuse. The Bretton Woods institutions and other units of the UN should also be influenced to review their structural adjustment programs (SAPs) to assess their impact on the poorest and most vulnerable members of the societies they are affecting, namely needy children and their families. The World Bank, the International Monetary Fund, the regional and subregional development banks and funds could also be positively affected by U.S. policies, to enter the child labor arena that they have thus far ignored.

Also to be explored is the utilization for institutionalizing child labor eradication strategies in current regional trade and cooperation agreements, such as CARICOM, the Caribbean Community and the Caribbean Basin Initiative (CBI) impacting on trade from the Caribbean and Central America into the United States. The recently ratified NAFTA side agreements include a labor component, which, though as yet untried, could serve as a useful tool and model for enforcing child labor standards amongst signatories of multilateral trade agreements, such as the GATT.

Finally, but most importantly, I urge the United States to ratify and enforce the Convention on the Rights of the Child of 1989, without reservations or conditions, in order to allow the U.S. to work through its mechanisms on all child labor issues in particular, but also to earn the credentials needed to be an international leader in child labor reform, as well as other children's rights promotion. Article 32 of the Convention posits that "states recognize the right of the child to be protected from economic exploitation and from performing any kind of work that is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral or social development." By ratifying the Convention, a process now completed by the entire world, other than the U.S. and a handful of other, quite small and remote holdouts, the signatories also agree to make a commitment to "take legislative, administrative, social and educational measures to ensure the implementation of the present article", including the passage of particular child labor legal standards and their enforcement.

Other articles call for government action to protect the child against all other forms of exploitation and to ensure that all children have a right to compulsory and free primary education, rest, leisure and play appropriate to the children's age. If these goals were merely hortatory, my promotion of Convention ratification would be muted. However,

the Convention's mechanisms, though at present in their infancy of application, give great promise for effecting some improvements to the rights of children worldwide. One of its innovations is its reliance upon national reporting on the domestic status of children's rights and ensuing cooperation with its Committee on the Rights of the Child in fashioning remedial actions to disclosed and discovered problems. That Committee has also undertaken several fact-finding missions to add its own observations to reported areas of difficulty. The consensual nature of the remediation efforts, as well as the mandate that signatories establish their own, independent national children's rights reporting bodies are only a few of the relevant provisions of the Convention that make it the most hopeful weapon we may have in attacking child labor exploitation.

I can also personally report that in virtually all international child labor research I have encountered in recent years, whether they be country status reports, professional or academic articles or conference and congress papers, the Convention and every nation's record pursuant to its provisions, is thoroughly discussed, analyzed and assessed. Clearly, the world's reliance upon the Convention in setting the terms of the child labor debate, as well as the course for child labor remediation, is now dominant and will only grow. Once the United States ratifies, we will immediately be able to ally ourselves with or influence the global community and those nations with the most offending child labor conditions. That development will dramatically increase both our authority and effectiveness in eliminating the oppressive child labor that is our common and abiding concern for today and for the future.

Association François-Xavier Bagnoud

STATEMENT FOR THE HEARING OF THE US LABOR DEPARTMENT

FIGHT AGAINST FORCED CHILD LABOR: CORPORATE CONSCIENCE AWAKENING AS AN ALTERNATIVE TO BOYCOTT AND LABELING

Introduction

The Association François-Xavier Bagnoud (AFXB), a non-governmental organization, has proposed to act as an intermediary between segments of the economy of the industrialized world and partners in the South striving to eradicate the scourge of juvenile forced labor.

In addition, the AFXB is opposed to any form of boycott of countries or economic sectors, as the practice solely results in the worsening of the child worker's already difficult living conditions. In lieu of boycott, the Association advocates concrete cooperation between NGOs and the commercial firms that distribute products manufactured in the concerned countries - i.e. textiles and, particularly, carpets. This approach consists in training the buyers working for these economic sectors in order to give them the means to avoid untrustworthy intermediaries, in the North as well as in the supplier countries. States and manufacturers are not in a position to offer real guarantees, either as to the non-involvement of children in the manufacture of a product, nor as to the medical, social and salary conditions of the young workers; neither can they even ensure the safeguard of the children's most basic rights - the right to remain in contact with their families, and the right to education.

Neither do special labels affixed to the concerned products - carpets, sport articles like footballs or shoes, etc. - give a true guarantee as to their conditions of production: the surveillance capacity of the responsible national structures (Labor Inspectorate), as well as that of international organizations (they are not entrusted with the mandate) or, even, of NGOs (they are able to act on an occasional basis only, without being systematic and in a sectorial manner) is insufficient to ensure the trustworthiness of any kind of label.

Moreover, the reasoning behind the label practice consists in playing on the sensibilities of the consumer, mainly by using the impact of the media, the favored vehicle of campaigns both too infrequent and subject to fashion trends. Once he has bought a "labeled" product, a carpet for instance, the consumer may come to the rash conclusion that the problem is either already - or else on the way to be - solved by the label practice.

Let us take the example of India, where - according to government, NGO and UN sources, as well to local activists - there could be as many as 60,000,000 child workers; of this number,

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less than 2% are involved in manufacturing products for export, the only ones the Western consumer can get some sort of control on. Therefore, there is a real risk to conceal the reality of 98% of those children, most of them employed in the agricultural, industrial or informal economy sectors, which produce goods for local consumption. A massive demobilization of the Western consumer may therefore be feared once export goods - carpets, sports articles, shoes and the like - have been duly labeled.

Moreover, the number of carpet-looms in the whole of India - according to various cross-estimations - ought to range from 200,000 to 600,000. The "Rugmark", an Indo-German venture, quite honestly admits that their people, as of June 1996, had only registered 13,000 - and of these 13,000, had only monitored 7,000 - such looms. From the beginning of 1995, the start of the venture, and again according to the "Rugmark" itself, some 220,000 carpets have been duly labeled and exported to the industrialized world. A monthly average of 22,000 carpets are presently exported after labeling. This venture, though it is undeniably an attempt to encourage local manufacturers to behave coherently, is nonetheless incapable of solving the problem all by itself. This in spite of the fact that, starting in 1997, 1,4% of the distributors' sales benefits in the North will be re-invested (through UNICEF, in cooperation with an Indian NGO) in a school project.

A field survey carried out in June 1996 by the AFXB has led the Association - after various contacts with NGOs, UNDP and ILO representatives - to the conclusion that the majority of Indian activist organizations involved in the fight against forced child labor act principally through demonstrations that are largely supported by both the Indian and the international media to sensitize the public to the problem.

As for the AFXB, it promotes a change in the attitudes of buyers working for Western distributors, coupled with the investment of funds donated by the latter in the training of children removed from forced labor.

In short, our Association (approved in this by the ILO, as well as by major government representatives of some countries concerned by the problem) has reached the following conclusions:

1. Any boycott only serves to weaken and debilitate the economies of the Southern World; in addition, boycott is an inconsequent form of disguised protectionism.
2. Labels meant to guarantee that certain articles have not been manufactured by child forced laborers do not offer sufficient guarantee to the consumer, given the weakness of surveillance networks. Moreover, the label practice provides the distributors in the Western world with an easy escape from their responsibilities towards their customers, who are not in a position to judge the true worth and pertinence of the labels.

In addition, the label practice, in India at least, is perceived by many as debasing.

3. The only concrete solution consists in NGOs working together with firms in the Western world in order to change buying attitudes and set up rehabilitation programs with the aim of removing children from forced labor and training them, both for their and our future.

Instead of relying solely on the conscience of the consumer, the AFXB advocates fostering responsibility of both distributors and manufacturers.

A concrete example : the Swiss mail-order company Charles Veillon S.A., recipient of a CEP Corporate Conscience Award for Child Labor Initiatives

Charles Veillon S.A., a catalogue company that sells clothing, furniture, and rugs, decided in 1993 to add oriental carpets to its product line, before realizing the concomitant problems. Once director general Jacques Zwahlen learned about child labor related to carpet weaving, he mandated Carlos Bauverd, in charge of the Children's Rights programs of the AFXB and speaker for the Association, to sensitize his entire staff to the problem. He also proceeded to check his whole supplier network, requesting the help of Swiss importers. Only one out of four, however, was willing to give supplier addresses and to cooperate in checking them; Veillon cut off its business with the other three, and looked for suppliers willing to be governed by guidelines it had developed in consultation with the expert from the AFXB. Veillon adopted a code of conduct on child labor, which is based on five principles:

1. Direct contact with all suppliers, thus eliminating middlemen.
2. Systematic audit of suppliers, to ensure they do not use forced child labor. The audit includes surprise visits, conversations with employees, checks that adolescents (age 10-12) receive an education.
3. Partnership with a Swiss NGO expert on forced child labor, which advises the company on how to combat the scourge (the Association François-Xavier Bagnoud was chosen by Veillon).
4. Financial assistance from the company for education, shelter, job training and medical care for the rehabilitation of former juvenile forced laborers.
5. Creation of awareness among employees.

The implementation of this code of conduct resulted in enabling the company to offer its customers a range of carpets solely woven by adult hands. This was accomplished with no added cost simply because the fees formerly paid to middlemen, now finance buyers' visits to the suppliers.

Charles Veillon's buying policy achieved international recognition on June 4, 1996, when Jacques Zwahlen received in New York, on behalf of the company, the Corporate Conscience Award from the Council on Economic Priorities.

Conclusion

The results from the AFXB's recent survey in India led the Association to propose Charles Veillon S.A. to finance the programs of an Indian NGO which has been active for six years in four villages of the Mirzapur region (Carpet Belt area). An average of 700 children removed from child labor receive a 3-year education (the equivalent of the elementary cycle in the Indian system) in the framework of the project. This is followed by vocational training meant to allow the children to get a grip on their own future (if not complete economic independence).

Serious medical follow-up of the children is also part of the project, with particular attention to respiratory and ophthalmologic ailments, parasites and malaria. In addition, each child gets a free meal a day, as well as a stipend that compensates, for the child and its family, the loss of a salary (the cycle is not combined with work of any kind).

Following this concrete and successful experience, the AFXB plans to reproduce it with other companies involved with export goods, and wishes to encourage them to adopt codes of conduct similar to that of Charles Veillon S.A. It also encourages them to invest funds in rehabilitation projects such as the one described here, mainly because such projects benefit sectors other than solely the export goods market.

**STATEMENT OF CONGRESSMAN LANE EVANS
DEPARTMENT OF LABOR
JUNE 28, 1996**

I am pleased that the Department of Labor is holding this hearing to explore governmental and nongovernmental efforts to eradicate the use of child labor around the world.

The globalization of trade and investment has given U.S. multinationals enormous economic power over the communities and countries in which they operate. While a handful of firms have used this prerogative to effect positive change in the workplace, most others have chosen to compromise human and worker rights for the sake of the bottom line.

The drive for new markets and cheaper labor has led many firms to hide behind the strawman of competitive advantage as an excuse for employing child and bonded labor. Governments are also responsible for allowing this abhorrent practice to continue. For example, the U.S. has made a commitment to establishing free trade and securing corporate contracts abroad. However, it has not encouraged U.S. firms to balance profit with responsible corporate behavior.

For that reason, it is essential that government, non-governmental organizations, investors, and consumers work together to encourage companies to develop, adopt, and implement guidelines on corporate responsibility with a focus on the problem of child and bonded labor.

It is increasingly important that the U.S. government ensures that global trade and investment policies foster responsible corporate practices abroad. In an effort to prompt government involvement, I have introduced H.R. 910, the Socially Responsible Business Practices Act. This legislation not only encourages corporations to adopt a set of principles, but also seeks to improve their level of adherence to such standards. The bill calls on relevant agencies to develop a set of guidelines based on internationally recognized principles, including the Sullivan and McBride Principles, the child labor standards established by the International Labor Organization, and the prison labor standards established by the GATT. The bill also requires a registry of companies that adhere to the guidelines and an annual report on the progress of such standards. Most importantly, this information would be made public so that investors and consumers can make informed decisions in the marketplace.

I have also urged the Administration to partner with religious, nonprofit, and investment firms to develop an information clearinghouse on global corporate responsibility. While a few businesses have worked with these entities to create and monitor guidelines for overseas contractors, many firms are not even aware that these resources exist.

For this reason, I have asked the Commerce Department to make global corporate responsibility a part of the strategy for improving and expanding global opportunities. In 1992, Congress formally created the Trade Promotion Coordinating Committee in order to provide U.S. businesses with tools to compete internationally. The network provides market information, matching services, and provides interagency assistance for any U.S. firm seeking support for international activities. This body could be expanded to include a clearinghouse which:

- o Disseminates information on corporate ethical practices that focus on child labor.
- o Provides lists of contractors abroad known to adhere to internationally-recognized worker rights.
- o Supplies firms with case studies of exemplary corporate practices.
- o Notifies firms about workshops, conferences, and other resources that teach firms about how to implement ethical practices into their international operations.
- o Provides information on organizations which concentrate their efforts to these issues.

In addition, the U.S. should develop procurement and international financing policies that favor U.S. firms dedicated to effectively monitoring their international operations. Furthermore, participants in government-sponsored trade missions should be encouraged to use the above resources to determine how, where, and with whom they produce goods.

As a leader in the world economy, the U.S. should ensure that U.S. international trade and investment is both a competitive and positive force abroad - not a license to exploit workers and children.

**WRITTEN STATEMENTS
SUBMITTED FOR THE RECORD**

News Release

TOM HARKIN OF IOWA

U.S. Senator

Testimony of U.S. Senator Tom Harkin
Department of Labor Child Labor Hearing
June 28, 1996

Contact: Patrick Dorton
(202) 224-3254

Thank you Secretary Reich. And let me commend you once again for your leadership in not just improving the lives of working Americans, but for improving the lot of children who are forced to sweat, struggle, and slave in factories around the world. It's been a privilege to work with you over the years in the effort to end abusive and exploitative child labor.

The problem of child labor has made headlines in recent months. But those of us who have been working on this issue for years and years know that this is not a new challenge. And we know it is hardly an isolated problem.

And let's be clear about our terms. When we speak of child labor, we're not referring to children who happen to work to earn a little money on the side. We're not talking about children pitching in on the family farm. We are talking about children--as young as 3 years old--who are *forced* to do hard, dangerous labor. We are talking about child slaves.

Today children all over the world are recruited by unscrupulous contractors, sold by their parents, or born into generational debt bondage.

Millions of children make goods specifically for the US market. And according to the International Labor Organization, the number of children forced to work is on the rise.

In 1992, I introduced the Child Labor Deterrence Act, the most comprehensive legislative initiative to end abusive and exploitative child labor.

Whenever people question the need for such legislation, I always bring up this comparison. Today, our laws prohibit the importation of ivory. Our laws prohibit the importation of endangered species such as the spotted turtle. Our laws prohibit products made from prison labor. But our laws fall silent when it comes to products that are made by exploiting children.

We protect animals. We protect prisoners. But we abandon children.

That must change. And let me say that I am proud that the Families First Agenda--which was announced this past weekend by the Democratic leaders in the House and Senate--includes my initiative to ban the importation of products made by abusive and exploitative child labor.

We're also making progress in other ways. Last year, I secured a \$2.1 million grant for the Department of Labor's Bureau of International Affairs for programs to eradicate child labor.

Recently a project was launched in Bangladesh using a portion of those funds. It will enable the International Labor Organization to work with the Bangladesh Garment Manufacturers and Exporters Association to take children out of garment factories and put them into schools--where they belong.

We must remain vigilant and urge the parties to adhere to this agreement before declaring this project a success, but it is movement in the right direction.

There's much more we can do, and I believe there are three keys to attacking the problem of child labor. Number one, increase understanding of the scope of the problem. Number two, increase pressure on manufacturers. And number three, increase awareness for consumers.

All of those are tied together and that is why, as chair of the Labor-HHS Appropriations Committee and then as ranking member, I have set aside funding to carry out in-depth studies to examine abusive and exploitative child labor.

Two of those volumes are now complete. Volume I focused on the use of child labor in U.S. manufactured and mined imports. Volume II documented the use of children on plantations as well as situations of forced and bonded child labor.

I think it's fair to say that these reports represent the most complete and informative documentation ever assembled by the United States government on child labor abuses around the world. I take my hat off to you, Mr. Secretary, and all of the dedicated professionals at the Labor Department who are responsible for that.

Now we begin the third volume. This third study will identify the top 20 U.S. garment importers. It will also examine their codes of conduct as well as those of their subsidiaries, contractors, and subcontractor's regarding the use of abusive and exploitative child labor in the production of goods imported into the United States.

I am hopeful that this report will take a much needed step toward providing consumers the information necessary to make informed choices about products made with child labor.

Furthermore, this study will give us a clear view of those companies that are making an effort to end abusive and exploitative child labor and those that are not.

Now, I would like to speak briefly about another child labor initiative that I plan on launching in the coming days that builds on this third study. As I have said, increasing consumer awareness here at home is fundamental to ending child labor abroad. Consumers, quite simply, have the right to know whether the products they use are made with abusive child labor.

But as we have seen in recent news stories, even the promoters of some of these products don't know whether child labor is being used. Expecting consumers to have that knowledge is a tall order.

Soon after Congress returns from the July 4 recess, I will introduce consumer right to know legislation--the Child Labor Free Consumer Information Act. We will focus on wearing apparel and sporting goods. We spoke about sporting goods--and in particular, the manufacturing of soccer balls--earlier this morning.

The stories are all too much the same in the wearing apparel industry. All over the world, children are being forced to work in slave-like conditions to produce wearing apparel destined for our department store shelves.

These young children quite literally have become slaves to fashion.

Under my plan, I propose instituting a voluntary labeling system for certifying that these products were made without abusive and exploitative child labor.

We want to empower American consumers to bring about change through their own free choices and informed decisions.

Consumers don't really know what they are buying today. My bill says: Let the Buyer Be Aware. Let consumers know whether the products they see on the shelves were paid for by exploiting and abusing young lives.

This "Truth in Labeling" bill is based on the principle that a fully informed American consumer will make the right and moral choice and vote against child labor with their pocketbook.

Americans in Des Moines or Dallas or Detroit may say: What does all of this have to do with us? I would respond by saying simply and plainly--it has everything to do with us. By protecting the rights of workers everywhere, we will be protecting jobs and opportunities here at home.

American workers are forced to compete with those children who must sweat in factory shops instead of study in schools.

I look forward to working with my colleagues in the Senate and House, the Department of Labor, representatives of the wearing apparel and sporting goods industries, labor unions and Non-Governmental Organizations to help this bill become law.

I want to commend the Department for its efforts in holding this hearing and its solicitation of testimony for this third report. I look forward to reviewing the testimony of today's witnesses and the Department's upcoming report.

COMMITTEE
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INTERNATIONAL RELATIONS

SUBCOMMITTEE ON
INTERNATIONAL OPERATIONS
AND HUMAN RIGHTS

Congress of the United States
House of Representatives
Washington, DC 20515-4608

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June 28, 1996

Joaquin F. Otero
Deputy Under Secretary, International Labor Affairs
International Child Labor Study
Room S-1308, U.S. Department of Labor
Washington, DC 20210

Dear Secretary Otero:

Thank you for notifying me about today's hearing regarding the third study of the worldwide problem of the use and abuse of child labor. I regret that I am unable to attend. I hope you will consider my comments for the record.

This year we have seen several celebrities come under attack for their involvement with or endorsement of products that are made by exploited children. The arrogance and complete indifference displayed by many celebrities typifies the attitude of many of our biggest corporations. Child labor will flourish as long as we turn a blind eye to the consequences of demanding cheap products without considering the conditions under which those products are manufactured. Changing this attitude is a necessary first step in the battle to end child labor.

The debate over sweatshop conditions still continues to ignore those children held in slave-like conditions throughout the world. Children who are held in debt-bondage, for example, are not employees in any sense of the word. In testimony before the International Operations and Human Rights Subcommittee we heard of how these children are held as chattel. They are kept in chains. They are bought and sold at the will of their employer. They are savagely beaten. Meals are used to control them.

Regularly, children are transported far from home where long distances and language barriers effectively make escape impossible. Children who are not sold for their labor are often sold as prostitutes. We do not know much about the trafficking of children, but those who profit from selling children as commodities must be among our first targets in ending this terrible exploitation. I hope the Department's study will begin to investigate this deplorable practice.

Unfortunately, when allegations of child labor abuses are

made, many companies simply move their operations to a new city or country rather than developing a solution to the problem at hand. For example, rather than encourage sporting goods manufacturers to move their stitching operations, we should encourage these companies to establish effective monitoring systems. They should ensure that any displaced child workers attend school rather than move on to a new job, which may be harder to monitor and potentially more dangerous to the child.

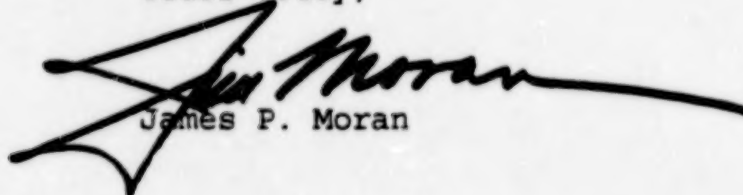
Recently, much attention has been focused on the manufacture of soccer balls in and around Sialkot, Pakistan. I hope this year's study will examine efforts by Reebok and Nike to monitor working conditions and employees by establishing centralized stitching centers. In particular, I hope you will examine the effects on displaced child workers such as whether any rehabilitation and education efforts are effective or whether children return to work in more dangerous industry.

As you study codes of conduct, I urge you to pay particular attention to the problem of "plausible deniability" that we have heard so much of at this year's Congressional hearings. There are so many levels of subcontractors that the retailer can easily claim ignorance of the manufacturer's practices. We have also seen this problem in monitoring. A U.S. business may assume it is acting responsibly by hiring a company to monitor its manufacturers, but if this monitoring company subcontracts its work to other companies of questionable reputation, then the effort is for naught.

As you examine potential tools we could use or new policy we could adopt to combat child labor, I ask you to remember that only five percent of child laborers work making products to export from their home countries. As the most influential market in the world, we should take the lead by ensuring that when we purchase a product that it is not made by children laboring under inhumane conditions. We need to join the child labor battle on all fronts. I hope you will consider policy that can have a direct impact on all child exploitation.

Thank you for the opportunity to present these comments. Please do not hesitate to call on me if I can be of assistance.

Yours truly,



James P. Moran

JPM/mje

EMBASSY OF CHILE

1732 MASSACHUSETTS AVENUE N.W.

WASHINGTON, D.C. 20036

The Situation of Child Labor in Chile

1. Dimensions of Child Labor

- This is a social phenomenon to which the government is applying special attention in the form of new legal standards and enforcement. With the collaboration and sponsorship of UNICEF and ILO, a National Plan will soon be announced to eradicate child labor.
- Although, from the point of view of methodology, no accurate figures are now available the numbers, in general, are insignificant and have no impact on the productive system.

2. Legal Framework for Child Labor

- Children younger than 14 are prohibited from working.
- Children in the age range 14—15 may work if they have met schooling requirements and have the required authorization of their parents.
- Work is limited to a maximum of eight hours per day and to light tasks which do not prejudice their health or impede their attending school or training.
- Those younger than 16 are not allowed to work at night; those younger than 18 are not allowed to work in bars, houses of prostitution or gambling.
- Enforcement is by the Bureau of Labor, which may impose sanctions in the form of fines and short-term imprisonment.

3. Proposed Law to Modify the Provisions

- To bring Chilean legislation more in line with ILO requirements.
- To prohibit those younger than 16 from working and authorize work for those older than 15 who have completed obligatory schooling.

4. International Conventions and the Plan to Eradicate Child Labor

- In addition to participating in the UNICEF accords and conventions on the subject, Chile is a signatory to ILO Convention 138, which will soon be ratified by Congress.
- Our Minister of Labor and Social Security has just signed a memorandum of understanding with the ILO and its International Program to Eradicate Child Labor (IPEC).
- That signifies the creation of an organization with public and private agencies to carry out a National Plan to Eradicate Child Labor.
- With the support of UNICEF and ILO, a national study is to be made to identify working children.

Washington, D.C., June, 1996

Marco legal vigente del trabajo de menores

Chile

A continuación se reseña el marco legal básico del trabajo de menores, haciendo referencia a los distintos cuerpos legales que regulan dicha situación.

◆ Código del Trabajo.

La situación del menor se puede esquematizar del siguiente modo:

☐ Capacidad para contratar.

Desde el punto de vista jurídico hay que distinguir entre la capacidad de goce (la aptitud para ser titular de derechos y obligaciones) y la capacidad de ejercicio (la facultad para ejercer los derechos por si mismos sin necesidad de autorización de terceros). La primera se adquiere, en el caso de las personas naturales, al momento de nacer y la segunda, según prescribe el derecho civil a los 18 años.

En este último caso hay que señalar que existe una capacidad de ejercicio genérico, recién señalada, y capacidades especiales, una de las cuales corresponde a la capacidad jurídico laboral. Esta última, según prescribe el artículo 13 del Código del Trabajo, se adquiere a los 18 años de edad.

Con la dictación de la ley 19.221 que rebajo de 21 a 18 años la edad necesaria para adquirir la capacidad de ejercicio genérico-civil, se produjo lo que podríamos llamar una "simetría" con la capacidad jurídico-laboral que operaba en esta materia como una excepción, al establecer la capacidad a los 18 años. De esto hace constancia la propia redacción legislativa, que aún se mantiene, del Código del Trabajo que señala que "para los efectos de las leyes laborales se consideran mayores de edad...". O sea, lo que la ley laboral quería decir es que los mayores de 18 años no eran mayores de edad, hasta la ley citada, sino que sólo se les consideraba como tales.

☐ Incapacidad relativa.

Los mayores de 15 y menores de 18 años, pueden también trabajar, pero sujetos a las siguientes restricciones según el artículo 13 del Código del Trabajo:

⇒ **Autorización expresa:** Por norma general, el padre o madre; a falta de ellos, los abuelos; a falta de éstos, los guardadores, persona o institución que haya tomado a su cargo el menor o a falta de todo lo anterior, del inspector del trabajo respectivo.

⇒ **Trabajos prohibidos:** No serán admitidos en trabajos subterráneos, ni en faenas que requieran fuerzas excesivas ni en actividades que puedan resultar peligrosas para su salud, seguridad y moralidad, según lo prescribe el artículo 14 del Código del Trabajo.

Cabe señalar que respecto de los trabajos subterráneos se ha producido un conflicto o antinomia normativa ya que el inciso 1° del artículo 14 del Código del Trabajo prohíbe para el menor de 18 años los trabajos subterráneos y el inciso 2° del mismo artículo lo permite con una condición: que el menor se someta a un examen de aptitud. La pregunta, entonces, es ¿el menor de 18 años puede o no prestar servicios en trabajos subterráneos?

Del análisis del artículo 14 no se obtiene respuesta alguna para la contradicción ya anotada; la respuesta parece estar en la historia de ese precepto, ya que el problema se generó por la modificación que hizo al artículo del Código del Trabajo la ley 19.221, que cambió las expresiones numéricas de "21" por "18" en el inciso 2° del artículo 14. Con ello el inciso 1° y 2° de dicho artículo quedaron iguales, perdiendo sentido la distinción que hace el señalado artículo; a los menores de 18 años se les prohíbe el trabajo subterráneo y a los menores de 21 se les permitiría con autorización de salud.

Por ello una interpretación correcta de ese artículo debe salvar la intención legislativa de rebajar la edad para las prohibiciones, debiendo entenderse que el menor de 18 años puede trabajar en labores subterráneas con examen de aptitud previo. Sin embargo esta interpretación compatibilizarse con el inciso 1° del artículo 14, ya que no sólo se requerirá de dicho examen, sino que además las labores subterráneas no deben requerir fuerzas excesivas, ni resultar peligrosas para su salud, seguridad o moralidad.

⇒ **Limitación horaria:** Según lo prescribe el artículo 13 del Código del Trabajo ningún menor de 18 años puede laborar más de 8 horas diarias. Con esta disposición se altera la limitación general de jornadas diarias de trabajo de 10 horas señaladas en el artículo 28 del Código del Trabajo.

☐ **Incapacidad absoluta.**

Los menores de 15 años no pueden laborar, salvo aquellos que teniendo más de 14 años de edad cumplan los requisitos que establece el artículo 13 del Código del Trabajo, en cuyo caso podrían también celebrar contrato de trabajo:

- a) Respetar todos los requisitos habilitantes solicitados para los mayores de 15 años;
- b) Que hayan cumplido con su obligación escolar mínima (8° básico), y
- c) Que sólo realicen trabajos ligeros que no perjudiquen su salud y desarrollo y que no impidan su asistencia escolar y participación en programas educativos o de formación.

☐ **Trabajos artísticos.**

No obstante, cabe consignar que en un caso especialísimo, como es el de las actividades de teatro, cine, televisión, circo u otras análogas, podrá permitirse el trabajo de menores de 15 años, siempre que se trate de casos calificados y que se cuente con la debida autorización del representante legal o juez de menores, según lo establece el artículo 17 del Código del Trabajo.

Efectos de la nulidad del contrato. Reiterando la norma introducida por el decreto ley N°2.200, el artículo 17 del código del Trabajo (D.F.L. N°1, de 1994) establece que el empleador debe responder a sus obligaciones para con el trabajador cuando contrata sin los requisitos que el texto legal exige.

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O sea, el contrato es nulo por falta de capacidad de una de las partes, pero las obligaciones que de él surgen para el empleador persisten con el objetivo de proteger al menor acreedor de ellas.

En el caso de un contrato de trabajo con un menor la terminación se produce por una causal que no está recogida en el Título V del Código del Trabajo, De la terminación del contrato; sino que proviene de la legislación común que rige los contratos, esto es la nulidad por incapacidad de una de las partes.

□ Competencia de la Dirección del Trabajo.

La intervención que corresponde a la Dirección del Trabajo, a través de las inspecciones respectivas, en el caso de infracción a la mencionada normativa legal se traduce, de acuerdo a lo dispuesto en el artículo 18 del Código del Trabajo, en concordancia con lo previsto en el artículo 28 del D.F.L. N°2, ley orgánica de la Dirección del Trabajo, en:

- 1) Ordenar de oficio o a petición de parte la cesación de la relación laboral por transgredir lo dispuesto en el artículo 14 del Código del Trabajo.
- 2) Aplicar al empleador la sanción del artículo 477 del mismo texto legal, esto es, una multa administrativa a beneficio fiscal de 1 a 10 unidades tributarias mensuales, incrementándose hasta en 0,15 U.T.M. por cada trabajador afectado por la infracción en aquellas empresas con más de diez trabajadores afectados por la mencionada infracción.

Estas multas se duplicarán en caso de reincidencia dentro de un período no superior a un año.

◆ Ley 16.618 de menores.

Esta ley señala en su artículo 62 que serán castigados con prisión en cualquiera de sus grados o presidio menor en su grado mínimo, las siguientes personas:

- 1° El que ocupare a menores de 18 años en trabajos u oficios que los obliguen a permanecer en cantinas o casas de prostitución o de juego;
- 2° El empresario, propietario o agente de espectáculos públicos en que menores de 16 años hagan exhibiciones de agilidad, fuerza u otras semejantes con propósito de lucro;
- 3° El que ocupare a menores de 16 años en trabajos nocturnos, entendiéndose por tales aquellos que se ejecutan entre las diez de la noche y las cinco de la mañana.
- 4° El padre o madre, guardador o persona a cuyo cuidado esté el menor.
 - a) Que lo maltraten habitual e inmotivadamente;
 - b) Que lo abandonen sin velar por su crianza y educación, y
 - c) Que lo corrompan".

◆ Ley 17.105, de alcoholes, bebidas alcohólicas y vinagres.

En último lugar es necesario referirse a la ley 17.105 de alcoholes, bebidas alcohólicas y vinagres que señala expresamente que:

"Se prohíbe emplear en los lugares en que se expendan bebidas alcohólicas que hayan de consumirse en el mismo establecimiento, a personas menores de 18 años cumplidos".

"No quedan comprendidas en la prohibición del inciso precedente los empleados, tales como grooms, mensajeros, ascensoristas, porteros, ayudantes de garzón, ayudantes de cocina, encargados del aseo y demás que, en razón de sus ocupaciones, no intervengan en el expendio de bebidas alcohólicas a los consumidores".

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**Moción
parlamentaria sobre
el trabajo de menores**

Chile

Honorable Cámara:

Paso a informar, en su segundo trámite constitucional, el Proyecto de Ley que modifica el Código del Trabajo en lo relativo a la capacidad de los menores para suscribir un contrato de trabajo, esto es, la edad de admisión que debe tener la normativa para los menores.

La legislación actualmente vigente, en relación con los menores de 18 años y mayores de 14 años contempla dos tramos diferenciados:

- a) Los menores de 18 años y mayores de quince años pueden celebrar contratos de trabajos, siempre que cuenten con la autorización del padre o madre u otros guardadores; y para ellos prevé el Código diversas incapacidades de obrar: no pueden laborar más de 8 horas diarias, ni realizar trabajos pesados o que puedan resultar peligrosos para su salud, seguridad o moralidad ni tampoco trabajo nocturno.
- b) Los menores de 15 años y mayores de 14 años también pueden contratar la prestación de sus servicios, siempre que cuenten con la autorización del padre o madre, hayan cumplido con la obligación escolar y sólo realicen trabajos ligeros que no perjudiquen su salud o desarrollo que no impiden su asistencia a la escuela y su participación en programas educativos o de formación.

Sabemos que el trabajo de los menores ha sido una preocupación constante de los Organismos Internacionales del Trabajo, cuyas conclusiones han trascendido en mayor o menor medida a las legislaciones nacionales; pues existen muchas razones que explican una legislación intervencionista y protectora de los menores, entre las cuales, pueden señalarse las siguientes:

- Factores fisiológicos para que el desarrollo físico del menor se realice en condiciones de normalidad, a lo cual se opone la realización de los trabajos desproporcionados o excesivos, en sí mismos considerados o en relación con la edad del menor.
- De seguridad personal, porque la debilidad del mecanismo de la atención del menor lo expone a sufrir accidentes y no es dable que se le exija una diligencia, cuidado y esmero en su actividad comparable con la que pueden desplegar los mayores.
- De salubridad pues la incorporación prematura del menor a la fuerza de trabajo, le hace resentir su salud, puede serle perjudicial.
- De cultura, ya que tanto la familia como el Estado deben velar no sólo por el normal desenvolvimiento físico del menor, sino también por llevar a su espíritu la obra de la educación, instrucción y cultura.

De productividad. La incorporación prematura del menor, sin haber agotado el esfuerzo estudiantil ni su adecuada formación profesional, implicará que su productividad futura -salvo que acceda a la capacitación especial-, estará por debajo de que normalmente debiera tener.

Preocupada la Organización Internacional del Trabajo por el trabajo de los menores, en su 55a. Asamblea, celebrada el 6 de Junio de 1973, aprobó el Convenio sobre edad mínima de admisión al empleo que revisando diversos instrumentos anteriores, dispuso en su artículo 3° que la edad mínima de admisión a todo tipo de empleo o trabajo no deberá ser inferior a 18 años; y luego su inciso expresa:

"La legislación nacional o la autoridad competente podrá autorizar el empleo o el trabajo a partir de la edad de diez y seis años, siempre que queden plenamente garantizadas la salud, la seguridad y la moralidad de los adolescentes, y que estos hayan recibido instrucción o formación profesional adecuada y específica en la rama de actividad correspondiente".

El Convenio, en el N°3° de su artículo 2°, enfatiza que la edad mínima que han de fijar las legislaciones nacionales no deber ser inferior a la edad en que cesa la obligación escolar, o en todo caso, a quince años.

Debo hacer presente que este Convenio N°138 de la Organización Internacional del Trabajo, no es uno cualquiera de sus Convenios. Por su contenido e importancia, y por la materia que aborda, integra uno de los llamados 6 convenios de la OIT, vinculados con los derechos humanos y en tal calidad es tratado.

De ahí el interés adicional de esta iniciativa de poder amoldarse a la normativa internacional, además de lo que ella implica dentro del plano interno

Se eleva de 15 años a 16 años, la posibilidad que los menores pueden celebrar contratos de trabajo, manteniéndose a sus respectivos las mismas condiciones adicionales actuales; no pueden trabajar más de 8 horas diarias, ni realizar trabajos pesados o peligrosos, ni trabajos nocturnos.

Para el efecto anterior se sustituye el guarismo 15 por el de 16 en el inciso 2° del artículo 13 del Código del Trabajo.

Se prohíbe el contrato de trabajo con menores de 15 años de edad; permitiéndose a los mayores de tal edad, pero menores de 16, que puedan contratar la prestación de sus servicios, siempre que cuenten con la autorización del padre, madre o guardador, hayan cumplido la obligación escolar, y sólo realicen trabajos ligeros que no perjudiquen su salud o desarrollo, que no impidan su asistencia a la escuela y su participación en programas educativos o de formación.

Para el efecto anterior se intercala un nuevo artículo 13-bis en el Código del Trabajo.

Debe agregarse que esta permisión de trabajo para menores de 16 y mayores de 15 años, con los requisitos y modalidades a que se ha hecho referencia, están admitidos en el artículo 7° del Convenio.

Con la aprobación de este proyecto la legislación chilena de un nuevo paso, en su afán tutelar y protector, todo ello dentro de un contexto de gran racionalidad, y con estricta sujeción a la normativa emanada del Derecho Internacional del Trabajo.

Debo agregar que este proyecto no altera ni innova en el seguro especial que contra riesgos de accidentes del trabajo tienen en conformidad a la letra c) del artículo 2° de la ley 16.744, los estudiantes, y el o los trabajos que realicen son consecuenciales a su calidad de estudiantes técnicos. Ahora bien, el D.S. N°1 o 2 del Ministerio del Trabajo y Previsión Social incorporó a estos estudiantes, frente al seguro de accidentes, disponiendo que el establecimiento educacional debe adherirse a una Mutualidad para el efecto.

Lo anterior, referido al seguro escolar para estos menores estudiantes, no es modificado por el presente proyecto de ley, sino continúa con su vigencia actual y, a mayor abundamiento, ello también se amolda al artículo 6° del Convenio N°138, en cuanto dispone que "no se aplicará al trabajo efectuado por niños a los menores en las escuelas de enseñanza general, profesional o técnica o en otras instituciones de formación".

El artículo 2° del proyecto en informe tiene un objeto simple, cual es enmendar un evidente error que existe en el artículo 16 del Código que permita, en casos excepcionales, el trabajo de menores con personas o entidades dedicadas al teatro, cine, televisión y otras actividades análogas. Para lo anterior el actual texto precisa de la autorización del representante legal o del juez de menores; en circunstancias que, por razones obvias, debe decir autorización del representante legal y del juez.

Quiero señalar, finalmente, que con la aprobación de este proyecto de ley no se pretende solucionar los diversos problemas que aquejan a menores que, por diferentes razones, a edades tempranas se inician en la actividad, en calidad de trabajadores por cuenta propia, esto es, vincularse por contrato de trabajo, y sus actividades son más que los servicios prestados a terceros. La superación de este grave problema social es bastante funcional a la superación de las limitantes propias de nuestro desarrollo económico-social, sin perjuicio de que se emprendan políticas activas destinada a cautelar la situación de estos menores.

En todo caso, el proyecto en informe marca un sendero, traza un camino, por donde debe seguirse.

**MEMORANDUM DE ENTENDIMIENTO
ENTRE
EL GOBIERNO DE CHILE
Y
LA ORGANIZACION INTERNACIONAL DEL TRABAJO**

**Programa Internacional para la Erradicación
del Trabajo Infantil IPEC**



**MEMORANDUM DE ENTENDIMIENTO
ENTRE
EL GOBIERNO DE CHILE
Y
LA ORGANIZACION INTERNACIONAL DEL TRABAJO**

CONSIDERANDO que la Organización Internacional del Trabajo viene desarrollando desde 1990 un programa denominado Programa Internacional para la Erradicación del Trabajo Infantil (en adelante el Programa IPEC) destinado a la protección de la niña y del niño contra la explotación económica, el desempeño de toda forma de trabajo que pueda ser peligrosa o interferir en su educación, o que pueda ser perjudicial para su salud, su desarrollo físico, psíquico, espiritual, moral o social;

CONSIDERANDO la contribución de varios donantes a dicho Programa, y en particular la del Gobierno del Reino de España, formalizada mediante la firma entre la Agencia Española de Cooperación Internacional y la Organización Internacional del Trabajo de un Memorando de Entendimiento de fecha 22 de marzo de 1995, cuyo objetivo es la extensión de las actividades del Programa IPEC en América Latina;

CONSIDERANDO el deseo del Gobierno de Chile de participar, en el marco del Programa IPEC, en la ejecución en el plano nacional de actividades destinadas a la erradicación progresiva del trabajo infantil; y

RECONOCIENDO que la abolición del trabajo infantil y la protección de la niñez requieren no sólo la acción vigorosa del Gobierno sino también el compromiso de las organizaciones de empleadores y de trabajadores, de otras organizaciones no gubernamentales, así como, en general, de los demás agentes de la sociedad civil,

La Organización Internacional del Trabajo (en adelante la OIT) y el Gobierno de Chile (en adelante el Gobierno) convienen unir sus esfuerzos para la ejecución en Chile del Programa IPEC sobre las siguientes bases.

1. La cooperación entre el Gobierno y la OIT deberá sustentarse en los objetivos y principios de los convenios internacionales relativos a la protección de la infancia y al trabajo infantil y, en especial, al Convenio sobre la edad mínima, 1973 (núm. 138) y el Convenio sobre el trabajo forzoso, 1930 (núm. 29), así como en la legislación nacional relativa a la protección de la niña y del niño.

La finalidad de dicha cooperación será:

1.1. Promover condiciones que faciliten al Gobierno la prohibición, restricción y regulación progresiva del trabajo infantil, con miras a su total erradicación.

1.2. Aumentar la toma de conciencia en la comunidad nacional e internacional sobre las consecuencias del trabajo infantil y sobre las soluciones al problema del trabajo infantil.

1.3. Lograr el pleno cumplimiento de las leyes vigentes con la práctica de las normas internacionales pertinentes en materia de edad mínima de admisión al empleo y al trabajo.

2. El Gobierno de Chile en sus esfuerzos por erradicar el trabajo infantil llevará adelante acciones para:

2.1. Analizar la situación del trabajo infantil en el país.

2.2. Elaborar y establecer un plan nacional de lucha contra el trabajo infantil.

2.3. Establecer y desarrollar políticas orientadas a la prevención del trabajo infantil, a la protección de las niñas y niños trabajadores, y en suma a la abolición del trabajo infantil.

2.4. Desarrollar programas nacionales que integren acciones en el plano local, sectorial o en ocupaciones específicas.

2.5. Brindar especial atención a los niños y niñas que trabajan en:

- condiciones inaceptables o de violación de los derechos humanos fundamentales;
- en actividades o en condiciones peligrosas;
- que son particularmente vulnerables, como el caso de los menores de 12 años, en especial las niñas;

3. Para coordinar, evaluar y dar seguimiento a los esfuerzos en favor de la lucha contra el trabajo infantil, el Gobierno creará un Comité Asesor Nacional.

3.1. El Comité estará compuesto por: representantes de ministerios e instituciones públicas relacionadas con el problema del trabajo infantil, representantes de organizaciones de empleadores y de trabajadores y de otras organizaciones no gubernamentales y, en calidad de asesores, por representantes de la OIT y de otras organizaciones u organismos internacionales relacionados con la lucha contra el trabajo infantil.

3.2. Las funciones del Comité consultivo serán:

3.2.1. Definir la naturaleza de las actividades y los campos de acción en que haya de desarrollarse el Programa IPEC, establecido en el contexto de una política nacional de lucha contra el trabajo infantil.

7. El presente Memorándum de Entendimiento entrará en vigor el día de su firma por ambas partes y tendrá una duración de cinco años, prorrogables de mutuo acuerdo entre las partes en las condiciones y por el nuevo término que en su caso éstas determinen.

8. El presente Memorándum de Entendimiento podrá ser modificado mediante acuerdo escrito entre las partes.

9. El presente Memorándum podrá ser denunciado por cualquiera de las partes mediante notificación escrita. La denuncia surtirá efectos tres meses después de recibida la notificación previo acuerdo entre las partes acerca del modo en que hayan de finalizarse las actividades emprendidas con anterioridad a la denuncia.

Hecho en Ginebra, en dos ejemplares igualmente auténticos, el .. de de 1996.

Por la Organización Internacional
del Trabajo



Michel HANSENNE,
Director General,
Organización Internacional del Trabajo.

Por el Gobierno de Chile



J. ARRATE MAC NIVEN,
Ministro del Trabajo
y Previsión Social.

Minuta

1.No existe en Chile un estudio correcto desde el punto de vista metodológico, que entregue cifras ciertas con respecto al trabajo infantil y menos aún sobre la tipología de estos niños. Sin embargo, nuestro país no registra una cuantía significativa del fenómeno, no sólo en los números sino también en las situaciones de riesgo. El trabajo infantil en Chile no se expresa como realidad en las faenas productivas.

2.Nuestra legislación prohíbe el trabajo de los menores de 14 años, permitiendo que el rango de 14 a 15 sólo pueda hacerlo cuando cumpla con el deber de escolaridad, además de los requisitos generales.

3.Con nuestra actual legislación estamos cumpliendo con lo instruido en el Convenio 138 de la OIT.

4.La iniciativa parlamentaria de prohibir el trabajo para los menores de 16 años y autorizarlo para los mayores de 15 años con el requisito de escolaridad cumplida, nos sitúa en el mayor rango de exigencia de la OIT.

Dicha moción cuenta con la aprobación del ejecutivo, quien además someterá, prontamente, a ratificación parlamentaria el convenio 138 OIT.

5. El gobierno de Chile, a través de su Ministro del Trabajo y Previsión Social, a firmado un memorándum de entendimiento con la OIT y su Programa Internacional para la erradicación del Trabajo Infantil (IPEC). Ello nos compromete a crear un comité nacional, integrado por todas las instancias públicas y privadas preocupadas por el tema, para elaborar un Plan Nacional para la erradicación del trabajo infantil. Junto con lo anterior se realizará un estudio nacional de caracterización de la infancia trabajadora, en base a encuestas directas a niños, patrocinado por la UNICEF y la OIT.

Embassy of El Salvador

2308 California Street, N.W.
Washington, D.C. 20008

Ana Cristina Sol
Ambassador

July 3, 1996

Dear Mr. Secretary,

Thank you for inviting my Government to participate in the information gathering public hearings regarding "the use of abusive or exploitative child labor in the production of goods imported into the United States." I am presenting the following written statement in order to contribute to the discussion generated by the topics to be covered in the third report of the US Department of Labor, as outlined in your letter dated June 6 of this year.

Although our labor problems have arisen due to situations other than the utilization of child labor, the Government of El Salvador has been continuously taking steps to prevent and to legislate its use in the country as indicated by the following:

- our Labor Code, considered as one of the most modern Codes in Latin America by International Labor Organization experts, contains very specific provision: regulating the work of children under 18;
- our Free Trade Zone and Bonded Areas Act was modified to include a social clause in order to give greater protection to our entire work force; and
- design, implementation and enforcement of a monitoring program, with unannounced inspections, to verify compliance with our labor laws by all business people in El Salvador and identify any abnormal practices which may potentially give rise to labor conflicts.

In addition, the Government of El Salvador is working with the private sector in generating awareness in the sense that good enforcement of our labor laws is good business. This message has already been positively received in the domestic textile industry where an initiative to develop a self-regulating scheme (know as "Social Responsibility Guidelines") is currently under discussion.

The Honorable Robert B. Reich
Secretary
Department of Labor
200 Constitution Avenue NW
Washington, DC 20210

The Honorable Robert B. Reich

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This latter private sector driven initiative, generally known as a "Code of Conduct," seeks to develop voluntary guidelines to promote sound commercial practices among textile and apparel manufacturers operating in El Salvador.

Initial "brainstorming" sessions regarding these guidelines have identified that a key component of such undertaking is the need to have independent and responsible monitoring. Moreover, we believe that such monitoring will not only consolidate the self-regulating system but will also provide greater transparency and protection to the workers.

In view of an increasingly open and competitive business environment, my Government is well aware of the need to promote compliance with and enforcement of appropriate national labor laws to attract more investment into El Salvador. This attitude has already begun to give encouraging results, as US companies that had suspended operations in El Salvador are returning and placing new orders. We believe that such positive trend will continue as progress made in El Salvador in the field of labor issues is widely disseminated.

Finally, we recognize that major challenges await in the future of both the United States and Latin America. El Salvador has a firm commitment to actively participate in the effort to prevent and eliminate any illegal labor practice from our hemisphere.

I look forward to the publication of the third report of the Department of Labor and hope that this brief statement will provide helpful information in the fulfillment of such task.

Sincerely,


Ana Cristina Sol



*Embajada de Guatemala
Washington*

Washington, 3 de Julio de 1996

Messrs.
International Child Labor Study
Bureau of International Labor Affairs
Room S-1308
Department of Labor
Washington, D.C., 20210

Dear Sirs:

Please find enclosed the written testimony of the Government of Guatemala that we ask be considered by the Department of Labor in preparing the report for the Congressionally-mandated review of international child labor practices.

We hope the information submitted, which focuses on activities by our government as well as nongovernmental entities regarding child labor, is found useful.

Sincerely,

Alfonso Quinones
Charge d'Affaires a.i.

**TESTIMONIO ESCRITO DEL GOBIERNO DE GUATEMALA
PARA SER INCLUIDO EN EL ESTUDIO DEL DEPARTAMENTO DE TRABAJO
SOBRE EL TRABAJO INFANTIL**

El Gobierno de Guatemala, sabiendo que el futuro de nuestro país descansa en la niñez, y tomando en cuenta que aproximadamente la mitad de nuestra población la constituyen menores de edad, presta una especial atención a su protección.

Esa población, que para el año 2000 se habrá casi duplicado en relación a los niveles de 1980, necesita de particular atención, sobre todo en el área de educación. Actualmente, por ejemplo, el 35% de los niños no asiste a la escuela, por lo que se han implementando planes que ataquen este problema y se espera que para el año 2000 ese porcentaje se reduzca a un 5%.

Es una realidad que de ese 35% de niños que no asiste a la escuela cierto porcentaje trabaja, así como también de los que estudian, y sabemos que esa realidad, la cual se deriva de nuestra situación económica y cultural, no es la ideal y esperamos que en un futuro no muy lejano quede erradicada, para lo cual estamos trabajando arduamente por medio de la implementación de políticas coherentes que puedan proveer una solución al problema. Por ejemplo, si para el año 2000 se cumple la meta señalada en el párrafo anterior de reducir el porcentaje de niños que no asisten a la escuela, el nivel de menores trabajando también se habrá reducido ostensiblemente.

Debido pues a esa realidad y con el ánimo de lograr la adecuada protección de los menores, se han implementado leyes dirigidas a reglamentar el trabajo infantil. La propia Constitución Política de la República trata el tema y señala que los menores de catorce años no podrán ser ocupados en ninguna clase de trabajo, salvo las excepciones establecidas por la ley. También indica que es prohibido ocupar a menores en trabajos incompatibles con su capacidad física o que pongan en peligro su formación moral.

El Código de Trabajo hace eco del precepto constitucional e indica que el trabajo de los menores de edad debe de ser adecuado, especialmente a su edad, condiciones, estado físico y desarrollo intelectual, prohibiendo el trabajo de menores de dieciséis años en labores insalubres y peligrosas, el trabajo nocturno de los menores y la jornada extraordinaria.

La regla general, tanto en la Constitución como en el Código de Trabajo, es que el trabajo de los menores de catorce años es prohibido. Sin embargo, en casos excepcionales, el Ministerio de Trabajo, por medio de la Inspección General de Trabajo, puede extender autorización para permitir el trabajo diurno de los menores de catorce años, siempre y cuando el menor vaya a trabajar en vía de aprendizaje o que tenga necesidad de cooperar en la economía familiar debido a la extrema pobreza en la que vive. Además, debe de tratarse de trabajos livianos por su duración e intensidad, compatibles con su salud física, mental y moral, y que en alguna forma, se cumpla con la educación del menor.

Aceptando nuestra realidad, dentro de la legislación Guatemalteca se han incorporado normas concretas, como las indicadas en los párrafos anteriores, que regulan el trabajo de los menores de edad, pero además, dentro de las políticas de gobierno está la de buscar promover las condiciones por medio de las cuales se logre reducir, de manera progresiva, el trabajo infantil, con miras a su eventual erradicación. Dentro de ese contexto, el 13 de junio del año en curso, el Ministerio de Trabajo y la Organización Internacional del Trabajo, suscribieron en Ginebra, Suiza, un Memorandum de entendimiento por medio del cual acordaron unir esfuerzos para implementar el "Programa Internacional para la Erradicación del Trabajo Infantil" (IPEC).

La cooperación que se prestará por medio de este programa tiene por objeto promover las condiciones que faciliten al Gobierno de Guatemala la prohibición, restricción y regulación progresiva del trabajo infantil, con miras a su total erradicación. Además, aumentar la toma de conciencia en la comunidad nacional e internacional sobre las consecuencias del trabajo infantil y sobre las soluciones a esta situación. Asimismo, lograr el pleno cumplimiento de las normas legales locales como las internacionales pertinentes en materia de edad mínima de admisión al trabajo.

Para información del Departamento de Trabajo y con el objeto que sea incluido como parte de nuestro testimonio escrito, adjuntamos copia del Memorandum de Entendimiento entre el Gobierno de Guatemala y la Organización Internacional del Trabajo para la implementación del IPEC.

E'. IPEC, permitirá la ejecución de acciones más eficaces en las tareas que la Unidad del Menor Trabajador y la Comisión Nacional del Menor se han propuesto. Esta Unidad es una dependencia del Ministerio de Trabajo y Previsión Social que fue creada en 1992 y cuya función consiste en sensibilizar a las empresas que emplean menores trabajadores sobre los derechos que a esta población asiste y sobre la obligación de no descuidar su escolaridad. A partir de esta Unidad, funciona la denominada Comisión Nacional del Menor Trabajador, la cual es integrada por delegados de las Organizaciones no Gubernamentales que se dedican a asuntos relacionados con el trabajo infantil, del Comité Coordinador de Asociaciones Agrícolas, Comerciales, Industriales y Financieras -CACIF-, que agrupa al sector privado organizado de Guatemala, y de la Oficina Nacional del Empleo, la Inspección General de Trabajo y la Unidad del Menor Trabajador, todas estas dependencias del Ministerio de Trabajo.

La labor sensibilizadora antes señalada, es dirigida no solamente a la protección de los menores trabajadores, a quienes se les capacita en los derechos que les corresponden, sino también a la concientización para que cada vez sean menos los menores que trabajen y para que en un futuro sea posible modificar paulatinamente la edad mínima de acceso al trabajo.

La legislación internacional que se usa para estimular la abolición del trabajo infantil, en las que se basan las acciones tanto de la Unidad del Menor Trabajador como la Comisión Nacional del Menor Trabajador, es la Convención Internacional sobre los Derechos del Niño, siendo Guatemala uno de los primeros países en ratificarla, y el Convenio 138 de la Organización Internacional del Trabajo, sobre edad mínima para trabajar.

Para información del Departamento de Trabajo y con el objeto que sea incluido como parte de nuestro testimonio escrito, se adjunta un informe preparado por la Unidad de Protección al Menor Trabajador sobre las labores realizadas por esa dependencia durante el último trimestre de 1995 y primer trimestre de 1996.

Además de la labor realizada por Organizaciones no Gubernamentales dedicadas a lograr la erradicación del trabajo infantil, tales como SODIFAG, CONANI, SOJUGMA, SODEC y PAMI, quienes coordinan sus labores con la Unidad del Menor Trabajador, también el sector privado ha implementado programas tendientes a lograr una mejoría en la situación del menor trabajador.

Por ejemplo, se tiene información de que la Compañía Van Husen ha establecido escuelas para proveer educación a menores de edad. También, el 19 de junio del año en curso, la Comisión de la Industria del Vestuario y Textiles -VESTEX-, del la Gremial de Exportadores del Productos no Tradicionales, promulgó un Código de Etica de propietarios de maquiladoras, denominado "Principios de Observancia Laboral y Ambiental de los Miembros de VESTEX". Dentro de las distintas normas, se adoptó una específica que se relaciona con el trabajo de menores, la cual literalmente dice: "TRABAJO DE MENORES Debe haber estricto apego a las condiciones y prohibiciones para la contratación de menores, que contempla la Constitución Política de la República y demás legislación vigente en el país".

Por su parte, la industria azucarera, a través de la Asociación de Azucareros de Guatemala y FUNDAZUCAR, y la industria cafetalera a través de la Asociación Nacional del Café y la Fundación para el Desarrollo Rural, están implementando un serie de proyectos dirigidos a incrementar el nivel educativo en el área rural.

Entre los proyectos implementandose por parte de los cafetaleros se pueden citar el programa de becas para niñas indígenas en las áreas rurales; la adopción de escuelas rurales por parte de los caficultores con el objeto de proveer su mantenimiento; programas de alfabetización que serán conducidos tanto en español como en las distintas lenguas de origen maya; la formación, a través de la Fundación para el Desarrollo Rural, del Consejo de Organizaciones Privadas de Desarrollo con el objeto de formular una estrategia nacional tendiente a implementar mecanismos dirigidos a brindar educación a todo nivel en el país; y el proyecto de proveer a niños de escasos recursos de útiles escolares y material educacional que ayudará para el aprendizaje de los niños en áreas rurales.

Dentro de este contexto del trabajo agrícola de los menores, el Ministerio de Trabajo y Previsión Social suscribió en abril pasado, dentro del marco del Convenio 169 de la Organización Internacional del Trabajo, un convenio con la Asamblea Permanente Maya, el cual comprende la obligación de investigar sobre el trabajo infantil en el área rural como paso previo a una regulación de mayor protección del trabajo infantil que propugne el aumento de la edad mínima en el trabajo y la efectiva vigilancia del goce de la educación formal obligatoria.

Asimismo, el Consejo General de la Organización Internacional de Empleadores -OIE-, que se reunió en Ginebra a principios del mes de junio del presente año, adoptó una importante resolución sobre el trabajo infantil, a la cual se adhirió el Comité Coordinador de Asociaciones Agrícolas, Comerciales, Industriales y Financieras -CACIF-, en representación de los empleadores de Guatemala. Entre otros puntos, esta resolución exhorta a los empleadores a que fomenten un mayor conocimiento del costo humano del trabajo infantil, así como de las consecuencias negativas a largo plazo y a elaborar políticas con miras a su eliminación.

Como quedó evidenciado tanto el Gobierno de Guatemala, como las Organizaciones No Gubernamentales y el sector privado, estamos comprometidos con la aplicación de la ley y la implementación de proyectos tendientes a lograr, por un lado, la paulatina erradicación del trabajo infantil y por el otro, el incremento de los niveles de educación.

Como lo señalara nuestro Presidente Alvaro Arzú en su discurso de toma de posesión, "El optimismo y la esperanza la representan más que nadie los jóvenes y los niños de nuestra tierra. Ellos son la mitad de nuestra población y portan la promesa de un futuro abundante. Ellos retoman la savia profunda de nuestras antiguas culturas. Los cimientos que hoy comenzamos a construir, son las bases sobre las cuales nuestros jóvenes edificarán la Guatemala del futuro".



Embajada de Honduras
Washington, DC

June 28, 1996

Mr. Joaquin Otero
Deputy Under Secretary for
International Affairs
U.S. Department of Labor
Washington DC 20210

Dear Mr. Deputy Under Secretary:

Thank you for inviting my Government to participate in the public hearings that the Labor Department will conduct today as part of its fact-gathering efforts for the third Congressional study on the use of child labor in products exported to the United States.

As mentioned in your letter dated June 6th, the third study will focus on efforts in the private and nongovernmental sectors to eliminate the use of abusive and exploitative child labor in the production of garments imported into the United States. Representatives of those sectors in Honduras will share information on the following:

- Efforts in eliminating abusive and exploitative conditions of child labor in the production of goods exported to the United States;
- Codes of conduct, their components and enforcement effectiveness; and
- International laws and U.S. laws that could be used to encourage the elimination of child labor exploitation.

I expect this information will reach your Office before the record closes. Nevertheless, my Government would also wish to contribute to your efforts by addressing the issue of enforcement of our labor legislation with regard to minors, as well as by providing a proper perspective on our particular situation involving minor workers in the garment industry.

I hope you find this information useful to fulfill the mandate from Congress on this issue of concern to us all. If additional information is made available to me before the record closes, I will forward it to you.

Yours Sincerely,



Roberto Flores Bermúdez
Ambassador

STATEMENT BY H.E. ROBERTO FLORES BERMUDEZ
AMBASSADOR OF HONDURAS

U.S. DEPARTMENT OF LABOR
JUNE 28, 1996

On May 5 1995 I forwarded to your office the Statement of the Honduran Government concerning the legal framework in place in my country for the protection of underage workers in the garment assembly plants. Since then, developments have occurred in that field which I would like to share with you. These developments concern the issue of enforcement of our labor legislation with regard to minors, and puts in proper perspective the situation of young workers in the garment industry.

1. Condition of minor workers

Under Honduran law, minors are those persons under the age of 18. Minor workers in Honduras are not the norm, but the exception in the garment industry. During a June 5 random inspection, the Honduran Labor Ministry visited 31 assembly plants to determine the situation of minors who might be working there. Of these 31 plants, about 30% of which are owned by Asian investors, only four employed any minors, and these four employed a total of 55. None of the workers was below the legal minimum age and all 55 minor workers had their work permits in order.

The total labor force of the 31 plants is 16,726 workers, and thus minor workers represent only 0.03% of the work force. These workers are all employed in compliance with the age requirements of our legislation and the procedures established to grant work permits to minors.

The *maquila* garment industry in Honduras is relatively new. Ninety five percent of the plants have been built since 1989 so the workers, including the minors, are therefore employed in factories that meet international standards concerning light, ventilation, physical access and circulation, rest rooms, cafeterias, security, cleanliness and hygiene, and drinking water.



2. Nature of the problem

Even though minor workers in the assembly plants represent only a small percentage of the total labor force, their presence there must be seen in the context of the economic and social conditions in which they find themselves.

Out of the total population of 5.3 million Hondurans, 51% or 2.7 million are under 18 years of age. Of these, less than 50% ever reach the sixth grade level of education. In addition, many of them have been exposed to chronic undernourishment and other health hazards. For example, 39% percent of children under five years of age are chronically undernourished, and this is a main factor in 60% of the deaths in this category.

Women are single heads of household in 33% of Honduran families and must work to support their children. Thus, circumstances compel many children to seek an income at an early age. Jobs in the assembly plants are scarce but are especially appealing to young workers because they provide better working conditions and salaries than the general economy. The only other avenues of employment, like construction and agriculture, are much more demanding, *i.e.*, harder for young workers.

3. Conflict resolution

a. As expressed in the aforementioned communication of May 5, 1995, our Labor Ministry has the principal responsibility for authorizing, observing and assuring that our national labor legislation is adequately applied. According to the Ministry's records, in the first five months of this year, it has received 27 complaints, and has resolved 19 of them to date. These have been related, among others, to lack of payment of extended hours and maternity benefits, or due to mistreatment of workers. These figures (27 complaints in five months out of a work force of 70,000), provide an impressive record concerning the lack of labor/management conflict in the assembly plants. The Labor Ministry has 15 inspectors for the North region of Honduras where these operations mainly take place. Seven of them are permanently assigned to the assembly plants.

b. The *Asociación Hondureña de Maquiladores*, the Honduran assembly plant association, has also established an informal and effective internal mechanism to deal with the problems that may arise out of the relations between labor and management. The Association has dealt with complaints that range from dismissals to severance pay.

c. In addition to the traditional approach to conflict resolution and to individual efforts carried out by the *Asociación Hondureña de Maquiladores*, the Honduran Ministry of Labor participates in a Trilateral Commission along with both the workers and management of the assembly plants. The purpose of the Commission is to identify the problems and seek solutions. This commission was established on September 20, 1994 by the *Asociación Hondureña de Maquiladores* with the support of the Government to address conflicts in a quick and effective manner.



d. Recent allegations reported in the United States media concerning abuses and exploitation of minor workers in many parts of the world, including Honduras, have allowed for additional, wide ranging diverse investigations in the assembly plants. Besides the activation of regular mechanisms such as the inspections carried out by the Labor Ministry on May 31st and June 5th, the *Asociación Hondureña de Maquiladores* itself got involved. In addition, further and more detailed investigations are underway. Besides these normal procedures, a new and *ad-hoc* mechanism has been activated, as explained below.

The Government of President Carlos Roberto Reina has an ongoing national dialogue on basic issues as a means of strengthening a concerted action with civil society. This dialogue is called the CONACON, which stands for the National Convergence Commission. The issue of labor conditions of minor workers in the assembly plants was introduced this month. CONACON's Executive Committee then established a working group composed of representatives from different economic sectors, including our labor unions. The Working Group met with the Minister of Labor and the Minister of Economy on June 13th. It visited the assembly plants on June 19 and again on June 21.

4. Agreement with the United States

In June 1995, the AFL-CIO submitted a petition to the G.S.P. Subcommittee of the Office of the U.S. Trade Representative (USTR) alleging the denial of worker rights in Honduras' *maquila* industry and seeking removal of Honduras' eligibility as a beneficiary under the Generalized System of Preferences (G.S.P.).

The petition made several broad allegations about the status of unionization in assembly plants. According to the petition, employer resistance to collective bargaining had grown, and the Government allegedly had failed to enforce labor laws and regulations regarding protection of women, hours, overtime, minimum wages, minimum age, and health and safety conditions.

The petition was submitted as part of the 1995 annual review process which USTR announced on May 4, setting a June 14, 1995 deadline for the submission of petitions. USTR's normal procedure is to review each petition submitted and decide whether or not to initiate an investigation by July 15 of each year. However, Congress failed to re-authorize the G.S.P. program and it expired on July 31, 1995, before USTR could decide which 1995 petitions to accept for formal review.

Nevertheless, in spite of its lack of authority to conduct a formal investigation into the AFL-CIO's complaints, USTR organized a fact-finding trip to Honduras in November 1995 to give U.S. officials a first-hand view of the situation in Honduras' *maquila* plants. The U.S. delegation was led by Assistant Trade Representative Jon Rosenbaum, and he was accompanied by DOL officials and representatives of the AFL-CIO, UNITE, and AAMA.



During the trip, a Memorandum of Understanding (MOU) was signed between USTR and Honduras' Ministry of Labor on the subject of strengthening the supervisory and enforcement role of Honduran labor authorities in the industrial parks. After the MOU was signed, USTR took no further action on the AFL-CIO petition.

In the November 15 MOU, the Ministry of Labor of Honduras agreed to make improvements in three areas: increasing the frequency and effectiveness of *maquila* companies by MOL inspectors; taking steps to facilitate the freedom of association of workers in the process of forming unions; and allocating additional funds to the training of labor inspectors and increasing their salaries. The purpose of these improvements is to address the main problems cited by the AFL-CIO in its petition.

As a result of this on-going process, the Ministry of Labor not only has gained further and more efficient access to the assembly plants, but also is working jointly with other government agencies (such as the Ministry of Economy and Immigration) to have inspections of a wider scope and the ability to impose all the sanctions that our laws allow, to those who violate our legislation and regulations.

I enclose for your information as attachment, a copy of the Memorandum of Understanding and of the communication sent by Mr. Benjamin Zapata, Minister Counselor of this Embassy to Mr. H.J. Rosebaum, at the Office of the United States Representative, in anticipation of the visit.

5. New legislation concerning minor workers

As I stated in my letter of May 5 1995, revisions have taken place in the parts of our Labor Code concerning young workers. These modifications, now contained in the "Código de la Niñez y Adolescencia" (Code on Children and Teenagers), will be published in September to coincide with the International Day of the Child.

The modifications will affect the way work permits are issued, by requiring socio-economic studies of each minor and his or her physical and mental state, and will be issued only after confirmation that they will not suffer physical or moral harm, or affect their education. There is a provision for workers between 14 and 16 years to perform only "light" tasks, not to exceed four hours a day. Between ages 16 and 18 they should not work over six hours per day. Night work is prohibited, but they may work up till 8:00 PM as long their studies are not hampered.

This new legislation also establishes financial penalties, and civil and criminal charges when the life of a child has been threatened or when there is a violation of moral standards. Exploiters of minor workers will be punished by an imprisonment of three to five years. Exploitation is defined as occurring when a minor is forced to work extensive hours or at night, or



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if he or she is paid a salary below the minimum wage. Exploitation also occurs when a minor is pushed to prostitution, pornography, obscenity and immorality; or when he or she is motivated to carry out illicit activities and domestic tasks that do not comply with their rights, minors or not.

I would like to conclude by expressing the sense of commitment and responsibility with which my Government approaches the subject of the safety of underage workers. We will not tolerate violations of our Labor Code or neglect its implementation. My Government is fully committed to protecting the rights of Honduran workers, to enforcing the labor laws to the fullest, and to expelling foreign investors who systematically flout our laws and abuse or exploit our workers.





EMBAJADA DE HONDURAS

WASHINGTON, D.C.

Oficio /CV /093 /BHW /95

Washington D.C., November 9, 1995

Mr.
H. J. Rosebaum
Office of the United
States Trade Representative
G. S. P. Division
Washington D.C.

Dear Mr. Rosebaum:

As a preview to your upcoming, fact finding trip to Central America on labor relations, I would like to highlight several points with regard to the labor situation in the Maquila Industry in Honduras:

- Despite intense investigations, by the labor authorities, it has not been possible to substantiate allegations against the Maquiladoras that women are forced to work 15 hours a day or 80 hours a week. No evidence has been found that the women have been forced to take stimulants to force them to work 48 hours without resting.
- Current labor regulations cannot be independently changed either by the government authorities nor by the judicial branch. This can be done only by reforming existing legislation in congress. In this regard, Legislation has been proposed to reform and strengthen the protection of workers rights. It is expected that these changes will be approved shortly by the Supreme Court and the Honduran Congress. The changes currently being contemplated have been formulated by a special Committee integrated by representatives of the government, the labor organizations and the private sector. This has been done as per the recommendations and the principles of the International Labor Organization (ILO).

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- The Ministry of Labor has issued recommendations to the Honduran unions to present all their complaints promptly to the authorities in order to allow them to fulfill their duties and search for a solution to each case. In those instances when workers have been unjustly dismissed, the Ministry has intervened on behalf of the workers requesting management that they be promptly reinstated. The government cannot force the companies to rehire said workers as this can only be done in a court of law.

- In order to improve the inspection services and to guarantee the full respect of the law, the Ministry of Labor has taken steps to carry out the necessary administrative changes, such as: the recruitment and training of staff, and the termination of personnel that failed to properly enforce our laws.

- Although the three national labor confederations (CTH, CGT and CUTH), did not participate in the National Commission of Minimum Wage, alongside representatives of the private and public sectors, the Ministry of Labor undertook the task of improving the minimum wage, based on technical studies done by the Dirección Nacional de Salarios. The upward adjustment of the minimum wage was decreed by Executive Order N 001 on December 23, 1994.

- Some clear examples that the Honduran authorities will not tolerate the violation of our labor laws and worker rights, is the expulsion last year of an investor from Korea, Mr. Boo-Woo lee, of the company, SILVER STAR INDUSTRIAL, and this year of Mr. Mía Nan, and Mr. Kin Chiun Ho, from HARDAE HONDURAS LIMITADA. All of these investors were found to be in complete violation of our laws, and it was proven there had been serious mistreatment of workers in their establishments.

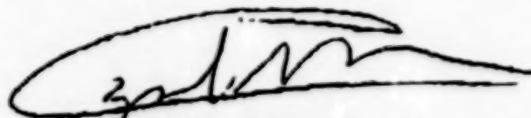
In September, 1994, the national authorities called meetings between members of the Maquiladora Association and the three union confederations (CTH, CGT, CUTH), in order to analyse all labor conflicts and look for solutions to them. In those meetings the Maquiladores were required to allow investigations in those factories that had complaints against them. Also, two commissions were created and charged with the duties of supervising the observance of worker rights and the state of relations between workers and management. One of the Committees resides in San Pedro Sula and has as members representatives of the unions and the maquilas. The other committee, is in Tegucigalpa and is also integrated by representatives of the maquilas, the unions and Government.

- The Ministry of Labor opposes creating a separate worker regime for the Maquila Industry, it considers that any separate labor regulations would result in the abdication of some worker rights and a weakening of the law. This position coincides with the official stipulations of the International Labor Organization.

The above has been reiterated as the official position of the government in statements to the national press, and in various international gatherings and high level summit meetings.

Please feel free to contact me anytime if you need clarification or further information.

Best regards,

A handwritten signature in dark ink, appearing to read 'Zapata', with a large, sweeping flourish extending to the right.

Benjamin Zapata
Minister Counselor

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MEMORANDUM OF UNDERSTANDING

Officials from the Government of the United States of America met with the Minister of Labor and Social Welfare of Honduras and a group of officials from the Ministry at the Ministry of Labor and Social Welfare on November 13 and 15, 1995, in order to discuss labor matters of common interest. In the course of the discussions, the Minister of Labor and Social Welfare of Honduras and officials of the Ministry explained that, in the context of the ongoing restructuring of the Ministry of Labor, their intentions in the near future include, among others, the following actions:

INSPECTORS/INSPECTIONS

1. Fine, to the full extent allowable by law, companies/parks that prohibit access by labor inspectors the first time this occurs. If companies prohibit the access, assess the maximum fine of 10,000 lempiras; if parks, assess fine of 10,000 lempiras per plant in the park.
2. The second time access is denied, the inspector should be accompanied by police to gain entry.
3. Increase frequency of unannounced inspections in maquila and non-maquila operations.
4. Complete proceedings to dismiss corrupt inspectors (who have already been identified but whose dismissal has not been completed because of the lack of resources to pay severance).

FREEDOM OF ASSOCIATION

5. Through administrative action, enforce "fuero sindical" law to reinstate workers who are dismissed illegally within 24 hours (using "executive" judicial review).
6. Through administrative action, establish procedures whereby the list of union founders is submitted directly to the General Office of the Inspector General of the Ministry of Labor (by-passing the local inspectors) and is delivered to the plant owner/operator in a sealed envelope, to be opened by the plant manager in the presence of union representatives.
7. Expedite registration procedures of organizations so that undue delays do not allow time for the firing of workers who are trying to form the association.
8. On a longer term, work with labor and management to obtain their concurrence to develop a set of changes to the labor code that would: 1) require a 50 percent plus one majority of workers to

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EGREGIOUS VIOLATORS

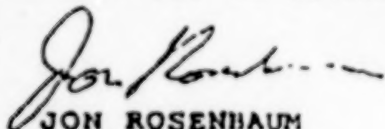
9. Develop, with the Ministry of the Economy, a system to suspend export licenses for up to two weeks for companies that are multiple violators of labor law and engage in 1) physical abuse of workers; 2) non-compliance with labor laws relating to working conditions, such as hours of work, use of underage workers, occupational safety and health, etc.; or 3) the right to organize and bargain collectively.

OTHER

10. Seek additional budgetary resources to improve the training of labor inspectors and increase their salary, in order to reduce the likelihood of accepting bribes.

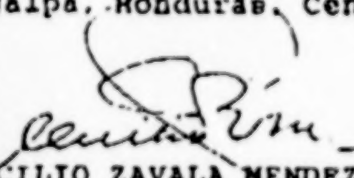
11. Explore the possibility of raising additional resources for training and compensating inspectors for maquiladoras through special assessments on maquiladora operations (user fee), by the earmarking of fines collected through inspections, or other means.

We sign this document in the City of Tegucigalpa, Honduras, Central America, on November 15, 1995.



JON ROSENBAUM
~~THE~~ ASSISTANT
UNITED STATES
TRADE REPRESENTATIVE




ARCILIO ZAVALA MENDEZ
MINISTRO DE TRABAJO
Y PREVISIÓN SOCIAL

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EMBASSY OF INDIA

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No. WAS/COM/227/2/96

June 28, 1996

The Embassy of India presents its compliments to the United States Department of Labour, and, with reference to the Department's letter of June 6, 1996, regarding the public hearing being conducted by the Department as part of the fact gathering effort for the third study on the use of child labour in products exported to the United States, has the honour to enclose a paper that gives an overview of the Government of India's policy for elimination/reduction of child labour, and of the related activities being undertaken at the national, state and field levels by governmental agencies and voluntary organisations.

The Embassy of India would like to state that India shares legitimate concerns about child labour, but strongly feels that trade restrictions are not the answer. Use of child labour in India's export products is minimal, and constitutes an exception rather than the rule.

In some cases, proposals by developed countries to ban or restrict import of items made by the use of child labour appear to be the result of protectionism in sections of industry. Although the resultant decisions may be guided by humanitarian considerations, they have the effect of imposing unfair non-tariff barriers to trade. What developing countries like India require is the understanding and assistance from developed countries in resolving this socio-economic problem. The Government and the people of India are taking legislative, executive and judicial action for progressive regulation of child labour with a view to its ultimate elimination. India is convinced that this can be achieved through accelerated economic development.

The Embassy would appreciate it if this paper is included as the written testimony of the Government of India for the record of the Department of Labour at the above-mentioned public hearing.

The Embassy of India avails itself of this opportunity to convey to the United States Department of Labour the assurances of its highest consideration.



The United States Department of Labour,
Bureau of International Labour Affairs,
International Child Labour Study,
Room S-1308,
200 Constitution Ave. N.W.,
Washington DC-20210

**Embassy of India
Washington DC**

**WRITTEN SUBMISSION TO
THE U.S. DEPARTMENT OF LABOUR,
BUREAU OF INTERNATIONAL AFFAIRS,
INTERNATIONAL CHILD LABOUR STUDY
(Third Study)**

June 28, 1996

Embassy of India, Washington

WRITTEN TESTIMONY PRESENTED TO
THE U.S. DEPARTMENT OF LABOUR
ON THE SUBJECT OF CHILD LABOUR IN INDIA

India has all along followed a pro-active policy in tackling the problem of child labour and has adopted constitutional, statutory and development measures needed to eliminate child labour. The Constitution of India incorporates provisions to ensure compulsory universal elementary education as well as labour protection for children. Articles 24, 39 and 45 of the Constitution of India relating to child labour are contained in Annexure I. India's judiciary, right up to the Supreme Court, has articulated profoundly empathetic opinions to reduce the incidence of child labour.

India's policy on child labour has evolved in this framework. Child labour policy, as it has evolved from 1921, is contained in Annexure II. Protective legal provisions in respect of employment of children are covered in Annexure III. The present regime of laws relating to child labour have a pragmatic emphasis and are also consistent with the 1979 Resolution of the International Labour Conference. The Resolution calls for a combination of prohibitory measures and measures for humanising child labour wherever it cannot be eliminated outright in the short run.

Child labour is not peculiar to India alone. It is undoubtedly a global phenomenon. Although India has the largest child labour population in the world in terms of absolute numbers, the proportion of working children to the total labour force is lower in India than in many other developing countries. Child labour constitutes 5.2 per cent of the total labour force in India.

The unorganised and informal sector, both in urban and rural areas account for almost all the child labour force. Another aspect of child labour in India is that it is much more of a rural than an urban phenomenon. Approximately 90 per cent of the working children are in the rural areas and employed in agriculture and allied activities. Cultivation, agricultural labour, livestock, forestry and fisheries account for 84.9 per cent of child labour. These rural children at work generally constitute a part of the family employment and are present in the work place in the company of their parents or elders in the family. In the urban areas, manufacturing, servicing and repairs account for an estimated 8.64 per cent of the child labour. Of this only 0.8 per cent of the children work in factories. Anyone studying the issue of child labour in India must also not forget that there are 350 million children in India under the age of fourteen. This number is considerably larger than the entire population of the U.S.A.

The distribution of child labour in the various States of India appears to indicate certain correlations. States that have a larger population living below the poverty line have a higher incidence of child labour. Further, a high incidence of child labour is also accompanied by high drop-out rate in schools.

The Child Labour (Prohibition & Regulation) Act, 1986 of India was the culmination of efforts and ideas that emerged from the deliberations and recommendations of various committees on child labour. Significant among them are the National Commission on Labour (1966-69), Gurupadaswamy Committee on Child Labour (1979) and the Sonal Mehta Committee (1984).

The Child Labour (Prohibition & Regulation) Act aims to prohibit the entry of children into hazardous occupations and regulates the services of children in non-hazardous occupations.

The Act:

- * bans the employment of children, i.e., those who have not completed their 14th year, in specified occupations and processes;
- * lays down a procedure to make additions to the schedule of banned occupations or processes;
- * regulates the working conditions of children in occupations where they are not prohibited from working;
- * lays down penalties for employment of children in violation of the provisions of this Act and other Acts which forbid the employment of children, and
- * brings out uniformity in the definition of "Child" in related laws.

Soon after the enactment of the comprehensive Child Labour (Prohibition & Regulation) Act, 1986, the Government of India adopted a National Child Labour Policy in 1987, in accordance with the constitutional provisions and various legislations on child labour. The idea of adopting a separate policy on child labour was not only to place the issue on the nation's agenda, but also to formulate a specific programme of action to initiate the process of progressive elimination of child labour.

The policy consists of three complementary measures:

- * **Legal action plan:** This policy envisages strict enforcement on the provisions of the Child Labour (Prohibition & Regulation) Act, 1986 and other child-related legislations.

- * **Focus on general development programmes benefiting children wherever possible:** The policy envisages the development of an extensive system of non-formal education for working children withdrawn from work and increasing the provision for employment and income generating schemes for their parents. A special Child Labour Cell was constituted to encourage voluntary organisations to take up activities like non-formal education, vocational training, health care, nutrition and education for working children.
- * **Area specific projects:** The policy also focuses on areas known to have high concentration of child labour and adopts a project approach for identification, withdrawal and rehabilitation of working children.

On 15th August, 1994, the Prime Minister of India called for total elimination of child labour from hazardous employment by the year 2000. A special programme has been initiated with a substantial financial outlay in order to ensure that the estimated two million children are no longer employed in hazardous occupations. The National Authority for Elimination of Child Labour (NAECL) has been established to monitor the implementation of this programme. The Authority also works to secure convergence of services of all agencies implementing child related programmes at national, state and field levels. A brief outline of the NAECL is given at Annexure IV.

This convergence of services is to provide educational and health inputs for children taken out of schools in a cost-effective manner, pooling the financial and manpower resources of various ministries. It is also to provide means of economic sustenance for the parents of children taken out of work. Further, it is sought to create awareness amongst parents so that future flow of children into the world of work is pre-empted.

International Support

To supplement the government's initiatives at the national level, international donor agencies came forward to support two parallel programmes in 1992:

- (a) The Child Labour Action Support Programme (CLASP); and
- (b) International Programme on the Elimination of Child Labour (IPEC)

The International Labour Organisation implements these programmes under the overall guidance and supervision of India's government and non-government organisations.

India was one of the first countries to join the IPEC programme. The long term objective of IPEC is to contribute to effective abolition of child labour. The IPEC programme in India (Annexure V) is the largest in the world and one of the best

implemented. In India, IPEC's action programmes have benefited around 80,000 working children.

The CLASP was aided by the Government of Germany. It aimed at strengthening the capability of agencies implementing child labour programmes. Assistance under this programme has been used for the purpose of supporting on-going activities under the National Policy on Child Labour.

Activities of Non Government Organisations:

The problem of child labour is now on the national agenda of India. Society, through the national and regional media has been sensitized to its evils. As a result, several non-governmental and voluntary organisations in India are active in ensuring that children are not engaged in hazardous employment, in regulating the working conditions of child labour in other areas and in safe-guarding and protecting their interests. Government of India is also providing financial assistance to voluntary organisations in the identification, release and rehabilitation of child labour. Under the IPEC plan, the central trade unions of India have also undertaken awareness generation and sensitization programmes. Women's groups, social welfare organisations and professional bodies, especially of medical professionals, are extensively involved at the grass-roots level to help working children. With the frontier of participation thus expanding, this problem of child labour which haunts India's collective conscience will be effectively tackled.

A list of some voluntary organisations which received financial assistance during 1995-96 for implementing projects for the welfare of working children is given at Annexure VI

Hand-knotted Carpet Industry:

The effectiveness of India's child-related programmes is highlighted by the efforts of the Carpet Export Promotion Council (CEPC) in the hand-knotted carpet industry. Government and industry are fully committed to achieve the ultimate objective of the elimination of child labour from the carpet industry. To this end, the government has supported the launching of the "KALEEN" label by the industry (Annexure VII). The label is carried by every carpet which is produced without any element of child labour whatsoever. All carpet looms in the country have to be certified and are subject to inspection by CEPC and by independent agencies. Apart from issuing the "Kaleen" labels, the CEPC is collecting money for a welfare fund from its exporter members for the carpet weavers and their families. Six schools have been identified by the CEPC in the state of Uttar Pradesh in carpet concentrated areas where children are to be enrolled. The CEPC will provide a stipend of Rs.100 per student and a mid-day meal. The CEPC also plans to start non-formal education in carpet-weaving and training centres run by the Development Commissioner (Handicrafts) in eastern Uttar Pradesh.

The Hallmark of Commitment (details given at Annexure VIII) is a noteworthy initiative taken by the industry itself for the welfare and rehabilitation of children and their families.

International Trade

In the context of international trade, it is sometimes mentioned that child labour is used in labour-intensive products exported by developing countries, like India, to developed country markets, thus giving unfair comparative advantage to the former due to low wages paid to children. Others say that child labour is morally reprehensible and, therefore, it is desirable for developed countries to impose trade restrictions on products tainted by the labour of children.

India would like to state the following in respect of child labour in its exports:

- * The percentage of child labour actually engaged in export products like carpets is only about one per cent.
- * Further, it is not morally justified to ban or restrict imports of some products since such actions will target an entire industry that provides employment to a large number of India's poor, and sustenance to their children.
- * Lowering of demand for particular products as a result of restrictive trade actions may drive the producing families and their children into destitution, and force them in turn to become prey to exploitative labour practices.
- * In many cases, unemployed and poor children will either starve or be forced into greater social evils like prostitution, drugs, crime and violence. In such cases, society, government and industry will need even greater resources for the rehabilitation and welfare of these children
- * Projects undertaken by Government of India, programmes like IPEC and certification schemes like "KALEEN" which integrate and incorporate welfare elements, are the best means of dealing with the problem of child labour. They provide the resources to save children from starvation and also enable them to get school education and health care.

UNICEF, in its annual report for the year 1995, has stated that not all children who work are exploited, and not all work performed by children is harmful to their development. In many developing and industrialised countries, parents expect their children to help support the family and regard the work experience as a valuable element of the education and the socialisation of the child.

India equally shares the legitimate concerns about child labour, but strongly feels that trade restriction is not the answer. Use of child labour in India's export products is minimal, and constitutes an exception rather than the rule even for products like hand-made carpets where again the children are involved in a family setting.

In some cases, proposals by developed countries to ban or restrict import of items made by the use of child labour appear to be the result of protectionism in sections of industry. Although the resultant decision may be guided by humanitarian considerations, it has the effect of imposing unfair non-tariff barriers to trade. What developing countries like India require is the understanding and assistance from developed countries in resolving this socio-economic problem. The Government and the people of India are taking legislative, executive and judicial action for progressive regulation of child labour with a view to its ultimate elimination. However, it is not possible to eliminate this problem in the absence of accelerated economic development. It has been seen that the development process in Punjab, Gujarat and Kerala in India is helping to solve this problem and there is very little incidence of child labour in these states.

If friends and well wishers in developed countries really want to "win back" childhood for India's children at work, they should focus on positive and not on negative measures. The right and productive approach will be in terms of enhanced economic assistance to developing countries like India through greater market access for labour-intensive exports and participation in welfare projects like IPEC which help in weaning children away from work forced on them by poverty and economic deprivation.

PROVISIONS RELATING TO CHILD LABOUR
IN THE CONSTITUTION OF INDIA

Article 24

Prohibition of employment of children in factories etc.

No child below the age of fourteen years shall be employed to work in any factory or mine or engaged in any other hazardous employment.

Article 39

The State shall, in particular, direct its policy towards securing:-

- (e) that the health and strength of workers, men and women, and the tender age of children are not abused and that citizens are not forced by economic necessity to enter avocations unsuited to their age or strength.
- (f) that children are given opportunities and facilities to develop in a healthy manner and in conditions of freedom and dignity and that childhood and youth are protected against exploitation and against moral and material abandonment.

Article 45

Provision for free and compulsory education for children

The State shall endeavour to provide, within a period of ten years from the commencement of this Constitution, for free and compulsory education for all children until they complete the age of fourteen years.

ANNEXURE II

HISTORY OF CHILD LABOUR LEGISLATION IN INDIA

1948: The Factories Act, 1948

Raised minimum age of employment in factories to 14 years.

1949: Employment of Children (Amendment) Act, 1949

Raised the minimum age to 14 years for employment in establishments governed by the Act.

1951: Employment of Children (Amendment) Act, 1951

(As a result of the ILO Convention relating to night work by young persons)

Prohibited the employment of children between 15 and 17 years at night in railways and ports and also provided for requirement of maintaining registers for children under 17 years.

1951: The Plantations Labour Act, 1951

Prohibited the employment of children under 12 years in plantations.

1952: The Mines Act, 1952

Prohibited the employment of children under 15 years in mines. The Act stipulates two conditions for underground work:

- i) requirement to have completed 16 years of age; and
- ii) requirement to obtain a certificate of physical fitness from a doctor.

1954: The Factories (Amendment) Act, 1954

Included prohibition of employment of persons under 17 years at night. ("Night" was defined as a period of 12 consecutive hours and which included hours between 10 p.m to 7 a.m.)

1958: The Merchant Shipping Act, 1958

Prohibited children under 15 being engaged to work in any capacity in any ship, except in certain specified cases.

1961: The Motor Transport Workers Act, 1961

Prohibits the employment of children under 15 years in any motor transport undertaking.

1961: The Apprentices Act, 1961

Prohibits the apprenticeship/training of a person under 14 years.

1966: The Beedi and Cigar Makers (Conditions of Employment) Act, 1966

Prohibits:

- i) the employment of children under 14 years in any industrial premises manufacturing beedis or cigars; and
- ii) persons between 14 and 18 years to work at night between 7 p.m. and 6 a.m.

1978: The Child Labour (Prohibition and Regulation) Act, 1978

The Act prohibits the employment in seven occupations and eighteen processes - which have been listed in Part A & B of the Schedule of the Act - of any person who has not completed fourteen years of age.

ANNEXURE III

EMPLOYMENT OF CHILDREN – PROTECTIVE LEGAL PROVISIONS

S. No.	Name of Enactment	Protective provisions for children
1.	The Children (Pledging of Labour) Act, 1933	Any agreement to pledge the labour of children under 14 years of age prohibited under the law at Sl. Nos. 2 to 5.
2.	The Beedi and Cigar Workers (Condition of Employment) Act, 1966	
3.	The Factories Act, 1948	
4.	The Mines Act, 1952	
5.	The Motor Transport Workers Act, 1961	
6.	The Child Labour (Prohibition & Regulation) Act, 1986	<p>Except in the process of family-based work or recognised school based activities, children not permitted to work in occupations concerned with :</p> <ul style="list-style-type: none"> • Passenger, goods mail transport by Railway • Carpet weaving • Cinder picking, cleaning of ash pits • Cement manufacturing • Building operation, construction • Cloth printing • Dyeing, weaving • Manufacturing of matches, explosives, fireworks, • Catering estt. in Railway premises or port limits • Beedi making • Mica cutting, splitting • Abattoirs • "Hazardous process" and "Dangerous Operation" as defined and notified in Section 2(cb) & Section 87 of the Factories Act, 1948, respectively. • Wool cleaning • Printing as defined in section 2(k) of the Factories Act, 1948 • Cashew and cashewnut descaling and processing • Soldering processes in electronic industries <p>In occupations and processes other than the above mentioned, work by children is permissible only for six hours between 8.00 A.M. and 7.00 P.M. with one day's weekly rest.</p> <p>Occupier of establishment employing children to give notice to local Inspector and maintain prescribed register.</p>
7.	The Plantations Labour Act, 1951	<p>Children/adolescents are allowed to work 27 hours a week. Child work is not allowed during night i.e. 7.00 P.M. to 6.00 A.M. Children permitted to work in plantation only where certificate of fitness is granted by a certifying Surgeon. On completion of 15 days work one day's leave with wages is to be allowed.</p>
8.	Minimum Wages Act, 1948	

**NATIONAL AUTHORITY FOR
ELIMINATION OF CHILD LABOUR**

The National Authority of Elimination of Child Labour (NAECL) was set up in September 1994.

The objectives of the NAECL are:

- * to lay down policies and programmes for elimination of child labour, particularly in hazardous employment;
- * to monitor progress of implementation of programmes, projects and schemes for elimination of child labour; and
- * to co-ordinate child related programs implemented by various Ministries of the Government of India to secure convergence of services.

The Government of India is implementing several programmes to alleviate poverty, raise incomes, to improve the health of children and raise their educational levels. The government seeks to effectively converge the services provided by different programmes in order to rehabilitate existing child labour and prevent fresh entry of children into the labour force.

Some of the programs benefiting working children and their parents under implementation of the district level are:

- * Integrated Rural Development Programs (IRDP)
- * Jawahar Razgar Yojna (JRY)
- * Development of Women and Children in Rural Areas (DWCRA)
- * District Primary Education Programme (DPEP)
- * Training of Rural Youth for self-employment (TRYSEM)
- * India Awas Yojana (IAY)

- * Employment Assurance Scheme (EAS), and
- * Mid-day meal scheme for school children.

The National Child Labour Projects are also being implemented in a decentralised manner at the district level through Project Societies. Hence establishing linkages between the NCLPs and other child related schemes is considered important.

A massive awareness generation campaign co-ordinated by the NAECI has been launched at the central level through major print and non-print media. A sum of Rs.66.5 million has been released for awareness generation activities at the district level to child labour endemic districts in the country.

HIGHLIGHTS OF THE IPEC PROGRAMME IN INDIA

- Developing a model for collecting statistics on Child Labour.
- Examining the economics of replacing children with adults in a few selected industries.
- Raising public awareness against Child Labour.
- Sensitising rural and unorganised workers on child labour issues through the Central Board of Workers' Education.
- Disproving to the local community the argument that child labour is inevitable.
- Major interventions with Central Trade Unions.
- Action Programme for sensitising employers.
- Training NGOs on the Design, Management and Evaluation of Child Labour Projects.
- Training of Labour and Factory Inspectors on enforcement of Child Labour laws.
- Mini Action Programmes.
- Highlighting safety aspects for children at work in specific industries.
- Withdrawal of Child Labour from work and their rehabilitation.
- Eliminating Child Labour in selected areas and work spots.

ANNEXURE VI

**LIST OF VOLUNTARY ORGANISATIONS WHICH
RECEIVED FINANCIAL ASSISTANCE**

1. The Congregation of the Sisters of the Cross of Chavanad, Tiruchirappalli
(Child labour engaged in rag picking).
2. Indian Council for Child Welfare, New Delhi
(Child labour in Beedi industry in Madhya Pradesh).
3. Ruchika School, Bhubaneswar
(Street Children).
4. Karnataka State Council for Child Welfare, Bangalore
(Child labour engaged in rag picking).
5. Institute of Psychological & Educational Research, Calcutta, West Bengal
(Street children).
6. India International Rural Centre, New Delhi
(Street children).
7. Amrit Child Labour Welfare Society, Ahmedabad, Gujarat
(Hotels and road side tea stalls).
8. Vivekananda Education Society, Calcutta, West Bengal
(Street children).
9. Shramik Vikas Sewa Ashram, Allahabad, Uttar Pradesh
(Carpets).
10. Central Young Mizo Association, Aizawl, Mizoram
(Agriculture Labour).

ANNEXURE VII

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

INDIA LAUNCHES LABEL FOR CARPET EXPORTS

**"KALEEN" -- HALLMARK OF COMMITMENT TO
ERADICATION OF CHILD LABOUR.**

New Delhi: Jyaistha 19, 1917
June 09, 1995

The government has sponsored a move by the carpet industry to introduce a label called "Kaleen" for carpets to be exported from India, signifying India's continuing commitment to the eradication of child labour in the carpet industry. Under the system now being introduced, no carpet would be exported without the hallmark of commitment, a label to be given to exporters by the Carpet Export Promotion Council (CEPC) indicating non-use of child labour and also indicating contribution from the export income to the CEPC's welfare fund for carpet weavers. This was announced by Shri G. Venkat Swamy, Union Minister of Textiles, at a news conference here today. The system, devised for self-regulation by the carpet industry in the context of the child labour problem, was recently discussed in meetings held at the level of the Textile Minister, Textile Secretary and the Development Commissioner of Handicraft and found acceptable by the trade, responsible non-governmental organisations (NGOs) and international organisations.

The hallmark will be awarded to exporters who obtain registration-cum-membership certificate from the Carpet Export Promotion Council. This certificate will be issued on the exporter giving an affidavit certifying non-use of child labour, being up-to-date in making his contribution to the welfare fund and furnishing a list of looms on which his carpets are woven or of weavers from whom he buys his carpets. The exporters' list of carpet looms/weavers would be linked to the total registration of looms, a process that is nearing completion at present in the eastern UP belt. The CEPC is also finalising an agency which will conduct random inspections regularly to detect child labour. If any Loom owners and exporters/manufacturers found guilty of default will face de-registration and black listing procedures under the CEPC's voluntary code of conduct.

The welfare fund, created for carpet weavers by raising contribution to the extent of 0.25 percent of the total export earnings of member exporters, will be used for various welfare projects, which will be entrusted to known voluntary and international agencies for execution.

The Minister announced that utilisation of the welfare fund and the whole system of self-regulation and certification will be monitored by a high-level committee to be formed under the Chairmanship of Development Commissioner (Handicrafts) which would include representatives of trade organisations, weavers' unions, leading unbiased NGOs, concerned Ministries and Department of the Central and State Governments and international organisations such as ILO and UNICEF.

BACKGROUND

The Indian carpet industry is an important source of foreign exchange earnings for the country. Export earnings from carpets during 1994-95 amounted to Rs 1822 crores compared to Rs. 1390 crores during 1993-94 and Rs. 992 crores in 1992-93. The report of the survey conducted by the National Council for Applied Economic Research (NCAER) in 1994 suggests that the use of child labour in the current industry has fallen dramatically to below 2.7% of the total labour engaged in carpet manufacturing. It has been the stand of the Government of India that, howsoever small, the incidence of unauthorised child labour in the carpet industry needs to be eradicated completely on a priority basis. With this end in view, a multi-pronged strategy has been adopted by the government which includes stepping up of enforcement measures, welfare measures for children weaned away from carpet industry, and promotional measures to counter the adverse and exaggerated propaganda both within and abroad.

ANNEXURE VIII

CARPET EXPORT PROMOTION COUNCIL OF INDIA

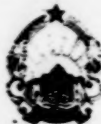
THE HALLMARK OF COMMITMENT

Soon, each carpet exported from India will carry the Hallmark of Commitment as a solemn assurance that the Indian carpet industry and trade has dedicated itself to:

- The total elimination of hired child labour
- The welfare of the weaver community
- The education of the children
- The medicare of the weaver families
- Vocational training, with assured stipend, of the children

And for this purpose a part of the profit earned from the export of such carpet carrying the Hallmark of Commitment would be voluntarily donated by the exporters to the weaver's welfare fund to express their gratitude to the weaver community for preserving the centuries old tradition of carpet weaving against all odds.

The Carpet Export Promotion Council (CEPC), the apex body of the carpet industry in the country, is responsible for the implementation of the commitment of the carpet industry and trade. CEPC is the only agency which has the mandate, the monitoring system and the enforcement mechanism to back up the Hallmark of Commitment.



АМБАСАДА НА РЕПУБЛИКА МАКЕДОНИЈА
EMBASSY OF THE REPUBLIC OF MACEDONIA
ВАШИНГТОН / WASHINGTON, D.C.

BR 022/060/96

02 July 1996

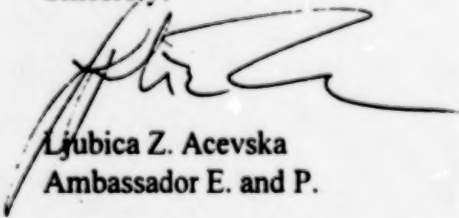
Mr. Joaquin F. Otero
Deputy Under Secretary for International Affairs
International Child Labor Study
Bureau of International Labor Affairs
U.S. Department of Labor, Room S-1308
200 Constitution Avenue, N.W.
Washington, D.C. 20210

Dear Mr. Otero:

I am forwarding the position of the Republic of Macedonia on child labor in response to your information request.

If any further information is needed, please contact me.

Sincerely,



Ljubica Z. Acevska
Ambassador E. and P.

enclosure

POSITION OF THE REPUBLIC OF MACEDONIA ON CHILD LABOR

The protection of children and young people is an important issue for the Republic of Macedonia. Their general protection and particularly, from labor abuse is important.

The Republic of Macedonia has taken measures to provide for their health and safety. Legislation plays a big role in the activities created to provide protections for children and young people.

Legislation in Macedonia is based on international law and guaranteed by the constitution. Each individual is guaranteed the inviolable right to physical and moral integrity.

The employment and use of labor of a person younger than fifteen (15) years of age is forbidden by law. Law also forbids labor in an environment which will endanger the health and moral integrity of an individual. Macedonia provides special protections for young workers that are above the age of fifteen (15).

The Constitution guarantees the right to an equal education for all citizens. Elementary education is mandatory and free.

The educational system in elementary and secondary schools provides regular cycles for the personal and physical development of children. Elementary schools include ninety-eight (98) percent of all children of elementary school ages and secondary schools include most of the children in this age range. The educational system in Macedonia helps to decrease the possibilities of children being used as a source of labor.

The current status of Macedonia's labor market also helps to decrease the possibility of children being used as a source of labor. The large pool of eligible workers in Macedonia and the existence of low price labor decrease the possibility that children will be abused and exploited as a source of labor.

Macedonia has not faced a problem with children being abused or exploited for labor, especially in the textile industry and shoe factories, as noted in other countries. The current status of the labor market and provisions made by the education system have kept this problem from occurring in Macedonia.

The government of Macedonia pays special attention to prevent the use of child labor. It will continue to maintain this policy in the future.

The government is maintaining the supervision, inspection, and cooperation from all competent institutions to abide by this policy of law.



NEW ZEALAND EMBASSY
37 OBSERVATORY CIRCLE, NW,
WASHINGTON, D.C. 20008

Phone: (202) 328-4800
Fax: (202) 667-5227

26 June 1996

Mr Andrew J. Samet
Bureau of International Labour Affairs
Room S-1308
U.S. Department of Labour
200 Constitution Ave, N.W
Washington DC 20210

International Child Labour Study

Dear Mr Samet

The New Zealand Government hereby submits its comments regarding your request for information on the use of child labour in products exported to the United States. The following comments focus on current and recent changes to legislation that have been introduced by the New Zealand Government and the efforts made by New Zealand non-government and private sector organisations to implement policies intended to eliminate the exploitation of child labour.

The New Zealand Government has introduced a range of protections and entitlements to safeguard the interests of children in respect of employment under New Zealand law. For example, the Education Act 1989 makes it compulsory for all children under 16 years of age to attend school. The Act also prohibits the employment of children under the age of 16 years within school hours or if the employment prevents or interferes with the child's attendance at school. Many children do have part-time employment outside school hours. These are often on a part-time basis in the areas of babysitting, newspaper/pamphlet or milk delivery jobs. If children's employment rights are infringed they are entitled to take the same grievance actions as adults under the Employments Contracts Act 1991.

In addition, the New Zealand Government brought into effect the Health and Safety in Employment Regulations on 21 August 1995. The Regulations place restrictions on the employment of young people under 15 years of age in certain industries such as

manufacturing, construction and forestry. Employers are required to take all practicable steps to ensure that employees under the age of 15 are not required to lift any weight or perform any task that would be likely to be injurious to the employee's health. The regulations also restrict the use of machinery by persons under 15 years, and provide restrictions on employees under the age of 15 years driving or riding on tractors or self-propelled mobile mechanical equipment. There are also restrictions placed on the employment of people under 16 between the hours of 10pm and 6am.

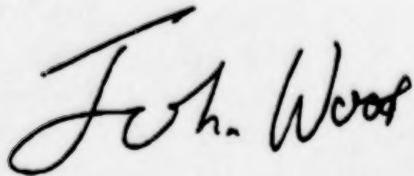
On the international scene, New Zealand is a member of the UN Convention on the Rights of the Child, the International Covenant on Economic, Social and Cultural Rights, and the International Covenant on Civil and Political Rights.

New Zealand private and non-government organisations have also made efforts to protect children in part time employment or the promotion of their rights. We are aware of private sector initiatives to maintain a code for newspaper and milk deliverers and protection for children working in shops. On the export front, the Wools of New Zealand has opposed manufacture of hand knotted rugs by bonded child labour in the Indian sub-continent, and is working to keep New Zealand wool out of this region.

Indeed, there have been concerted efforts by the New Zealand Government and private and non-government organisations to protect child labour both domestically and overseas. We intend to maintain these efforts.

Thank you for the opportunity to comment on child labour. If you have questions about our comments or require any additional information, please do not hesitate to contact us.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'J. Wood', written in dark ink.

J Wood
Ambassador

EMBAJADA DE NICARAGUA
1627 NEW HAMPSHIRE AVENUE, N. W.
WASHINGTON, D.C. 20009

ENW.MC.029.06.96

June 26, 1996

Sr. Joaquin F. Otero
Deputy Under Secretary for
International Affairs
Washington, D.C. 20210

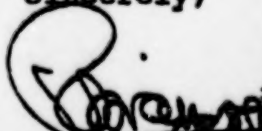

Dear Mr. Otero :

In relation to your invitation to the public hearing on the use of child labor, that will be held at the Labor Department on June 28, 1996, I regret to inform you that we will not be able to participate in it.

However, I would like to inform you that on June 14, 1996, Nicaragua signed a Memorandum of Understanding with the OIT on this subject, copy of which I am enclosing. I apologize for not sending you an English version. It is not available yet.

I wish you the best in the formulation and publication of your third Congressional-mandated study on the use of child labor in products exported to the United States, and avail myself of this opportunity to renew to you the assurances of my highest consideration and esteem.

Sincerely,



ROBERTO MAYORGA CORTES
AMBASSADOR

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**MEMORANDUM DE ENTENDIMIENTO
ENTRE
EL GOBIERNO DE NICARAGUA
Y
LA ORGANIZACION INTERNACIONAL DEL TRABAJO**

**Programa Internacional para la Erradicación
del Trabajo Infantil IPEC**



**MEMORANDUM DE ENTENDIMIENTO
ENTRE
EL GOBIERNO DE NICARAGUA
Y
LA ORGANIZACION INTERNACIONAL DEL TRABAJO**

CONSIDERANDO que la Organización Internacional del Trabajo viene desarrollando desde 1990 un programa denominado Programa Internacional para la Erradicación del Trabajo Infantil (en adelante el Programa IPEC) destinado a la protección de la niña y del niño contra la explotación económica, el desempeño de toda forma de trabajo que pueda ser peligrosa o interferir en su educación, o que pueda ser perjudicial para su salud, su desarrollo físico, psíquico, espiritual, moral o social;

CONSIDERANDO la contribución de varios donantes a dicho Programa, y en particular la del Gobierno del Reino de España, formalizada mediante la firma entre la Agencia Española de Cooperación Internacional y la Organización Internacional del Trabajo de un Memorando de Entendimiento de fecha 22 de marzo de 1995, cuyo objetivo es la extensión de las actividades del Programa IPEC en América Latina;

CONSIDERANDO el deseo del Gobierno de Nicaragua de participar, en el marco del Programa IPEC, en la ejecución en el plano nacional de actividades destinadas a la erradicación progresiva del trabajo infantil; y

RECONOCIENDO que la abolición del trabajo infantil y la protección de la niñez requieren no sólo la acción vigorosa del Gobierno sino también el compromiso de las organizaciones de empleadores y de trabajadores, de otras organizaciones no gubernamentales, así como, en general, de los demás agentes de la sociedad civil.

La Organización Internacional del Trabajo (en adelante la OIT) y el Gobierno de Nicaragua (en adelante el Gobierno) convienen aunar sus esfuerzos para la ejecución en Nicaragua del Programa IPEC sobre las siguientes bases.

1. La cooperación entre el Gobierno y la OIT deberá sustentarse en los objetivos y principios de los convenios internacionales relativos a la protección de la infancia y al trabajo infantil y, en especial, al Convenio sobre la edad mínima, 1973 (núm. 138) y el Convenio sobre el trabajo forzoso, 1930 (núm. 29), así como en la legislación nacional relativa a la protección de la niña y del niño.

La finalidad de dicha cooperación será:

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1.1. Promover condiciones que faciliten al Gobierno la prohibición, restricción y regulación progresiva del trabajo infantil, con miras a su total erradicación.

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1.2. Aumentar la toma de conciencia en la comunidad nacional e internacional sobre las consecuencias del trabajo infantil y sobre las soluciones al problema del trabajo infantil.

1.3. Lograr el pleno cumplimiento tanto legalmente como en la práctica de las normas internacionales pertinentes en materia de edad mínima de admisión al empleo y al trabajo.

2. El Gobierno de Nicaragua en sus esfuerzos por erradicar el trabajo infantil llevará adelante acciones para:

2.1. Analizar la situación del trabajo infantil en el país.

2.2. Elaborar y establecer un plan nacional de lucha contra el trabajo infantil.

2.3. Establecer y desarrollar políticas orientadas a la prevención del trabajo infantil, a la protección de las niñas y niños trabajadores, y en suma a la abolición del trabajo infantil.

2.4. Desarrollar programas nacionales que integren acciones en el plano local, sectorial o en ocupaciones específicas.

2.5. Brindar especial atención a los niños y niñas que trabajan en:

- condiciones inaceptables o de violación de los derechos humanos fundamentales;
- en actividades o en condiciones peligrosas;
- que son particularmente vulnerables, como el caso de los menores de 12 años, en especial las niñas;

3. Para coordinar, evaluar y dar seguimiento a los esfuerzos en favor de la lucha contra el trabajo infantil, el Gobierno creará un Comité Asesor Nacional.

3.1. El Comité estará compuesto por: representantes de ministerios e instituciones públicas relacionadas con el problema del trabajo infantil, representantes de organizaciones de empleadores y de trabajadores y de otras organizaciones no gubernamentales y, en calidad de asesores, por representantes de la OIT y de otras organizaciones u organismos internacionales relacionados con la lucha contra el trabajo infantil.

3.2. Las funciones del Comité consultivo serán:

3.2.1. Definir la naturaleza de las actividades y los campos de acción en que haya de desarrollarse el Programa IPEC, establecido en el contexto de una política nacional de lucha contra el trabajo infantil.

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3.2.2. Articular los proyectos concretos de lucha contra el trabajo infantil emprendidos en el marco del presente Memorándum con otros planes y proyectos que se estén desarrollando en el marco de la problemática del trabajo infantil.

3.2.3. Seleccionar propuestas de programas de acción para su inclusión en el Programa IPEC.

3.2.4. Contribuir a la evaluación del Programa IPEC y de sus actividades.

4. El Gobierno será responsable de:

4.1. Garantizar el cumplimiento de las obligaciones por él asumidas en el marco del Programa Nacional.

4.2. Prestar asistencia a la OIT en la identificación y selección de expertos, consultores y personal de apoyo al Programa Nacional.

4.3. Estimular, promover y apoyar en la medida de lo posible la participación de organizaciones de empleadores, de trabajadores y otras organizaciones no gubernamentales en la ejecución de los programas de acción.

4.4. Planificar y presupuestar el aporte de recursos humanos, materiales y financieros al Programa Nacional de lucha contra el trabajo infantil.

4.5. En la medida de lo posible, brindar apoyo a actividades de carácter regional e internacional organizadas en el marco del Programa IPEC, tomar parte en el intercambio de experiencias e información con los demás países participantes en el Programa y aconsejar y hacer partícipe de su experiencia a otros países;

5. La OIT será responsable de:

5.1. Proveer recursos financieros para el desarrollo del Programa Nacional de acuerdo con el Programa y Presupuesto bienal del IPEC.

5.2. Brindar servicios de asesoría a las instituciones gubernamentales, al Comité Asesor Nacional, a las organizaciones de empleadores y de trabajadores y demás organizaciones e instituciones no gubernamentales que lleven a cabo actividades en el campo de la lucha contra el trabajo infantil.

6. En la ejecución de las actividades del Programa IPEC en Nicaragua el Gobierno concederá a la Organización Internacional del Trabajo y a su personal los privilegios, inmunidades y facilidades previstos en la Convención sobre las Prerrogativas e Inmunidades de los Organismos Especializados y en el Anexo a dicha Convención relativo a la OIT.

7. El presente Memorándum de Entendimiento entrará en vigor el día de su firma por ambas partes y tendrá una duración de cinco años, prorrogables de mutuo acuerdo entre las partes en las condiciones y por el nuevo término que en su caso éstas determinen.

8. El presente Memorándum de Entendimiento podrá ser modificado mediante acuerdo escrito entre las partes.

9. El presente Memorándum podrá ser denunciado por cualquiera de las partes mediante notificación escrita. La denuncia surtirá efectos tres meses después de recibida la notificación previo acuerdo entre las partes acerca del modo en que hayan de finalizarse las actividades emprendidas con anterioridad a la denuncia.

Hecho en Ginebra, en dos ejemplares igualmente auténticos, el .. de de 1996.

Por la Organización Internacional
del Trabajo



Michel HANSENNE,
Director General,
Organización Internacional del Trabajo.

Por el Gobierno de Nicaragua



F. ROSALES ARGUELLO,
Ministro del Trabajo



EMBASSY OF SOUTH AFRICA
3051 MASSACHUSETTS AVENUE, N. W.
WASHINGTON, D. C. 20008
(202) 232-4400

27 June 1996

Mr Joaquin F Otero
Deputy Under Secretary for
International Affairs
U.S. Department of Labor
Washington, DC 20210

Dear Mr Otero,

In Ambassador Sonn's absence, might I follow up on his response of 14 June 1996 to your invitation to the South African Government to contribute to your study on the use of child labor in products exported to the United States.

Unfortunately not too much data is available on the subject in South Africa. The Draft White Paper on Welfare indicates that no systematic research on the employment of children under fifteen has been conducted recently in South Africa. Once such research recommendations are available, legislation and policy will be effected.

Currently in South Africa children are protected from exploitation by legislation. Section 52A(1) of the Child Care Act, 1983 (Act 74 of 1983), states clearly that, subject to the provision of the Act or any other law, no person may provide work to any child under the age of fifteen years.

The reasoning behind the legislation is not to prevent all children from earning money or being employed, but to protect children from exploitation in respect of certain categories of employment or work. Provision is made for a person to apply for exemption from the provisions of Section 52A(1) of the Act. Contravention of any provision of this section of the Act is a punishable offence.

More generally, the launch of the following two reports, as a step in implementing the Convention on the Rights of the Child (which South Africa ratified on 16 June 1995), took place on 31 May 1996:

A situation analysis report on children entitled Children, Poverty and Disparity Reduction: Towards Fulfilling the Rights of South Africa's Children. This document establishes a baseline of the status of children; identifies the immediate, underlying and basic

causes of the problems of children; and identifies a set of key performance indicators for monitoring the well-being of children.

The Framework for National Programmes of Action (NPA) for Children, which is a framework of action designed to address the problems of South Africa's children, especially those most vulnerable and in need. The NPA Framework was developed through a process involving many government departments both at national and provincial levels, the National Children's Rights Committee and the United Nations Children's Fund (UNICEF). The Framework is a direct response to Article 4 of the Convention which binds State-Parties to the Convention "to undertake all appropriate legislative, administrative and other measures for the implementation of the rights recognized in the Convention".

The NPA will also facilitate South Africa's implementation of the Plans of Action of both the 1991 World Summit for Children, and the 1995 World Summit on Social Development.

I hope this information will be of use to you.

Yours sincerely

Andre Kilian

Andre Kilian
Deputy Chief of Mission

From the Ambassador of Sri Lanka



US/POL/2E

June 20, 1996.

Mr. Joaquin F. Otero
International Child Labor Study
Bureau of International Labour Affairs
U.S. Department of Labour
Room S-1308
200 Constitution Ave., N.W.
Washington D.C. 20210

Dear Mr. Otero,

I refer to your letter dated 7th June, 1996, informing me that the Labour Department will conduct public hearings on June 28th, 1996, with a view to collecting information for a third Congressionally Mandated Study on the use of child labour in products exported to the United States.

I am pleased to forward to you the attached written testimony concerning the situation in Sri Lanka, for your consideration.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "Jayantha Dhanapala".

Jayantha Dhanapala
AMBASSADOR

WRITTEN TESTIMONY BY THE
AMBASSADOR OF SRI LANKA

The Embassy of Sri Lanka values the opportunity provided by the Department of Labour to brief the US public on the situation in Sri Lanka pertaining to child labour in the context of the proposed study on the use of child labour in products exported to the US. Sri Lanka shares the concerns expressed by the US Congress in this regard and for a long time has been in the forefront in implementing several measures to prevent use of child labour in Sri Lanka. In addition, successive governments have consistently taken measures to uplift the physical quality of life of our people, with a view to eliminating the root causes that engender such problems. Consequently, although with US 2850/- GDP percapita, Sri Lanka has achieved an impressive level of social development with a literacy rate of 90%, infant mortality rate of 18 per 1000, and life expectancy at birth of 72 years. In view of such achievements the propensity for employers to use child labour is very low, specially in the context of a general public revulsion against such practices in addition to stringent government regulations.

The Employment of Women, Young Persons and Children Act No.47 of 1956 in Sri Lanka stipulates a strict prohibition in employment of children in any public or industrial undertaking. The Act interprets the term "child" to mean any person who is under the age of 14 years. This Act is in operation in Sri Lanka and any person contravening the provisions of the Law can be prosecuted.

There have been no reports of the use of child labour in the organized sectors of employment. In particular, in the garment sector, which is a well organized industry exporting also to the US market, no incidents or complaints of use of child labour in respect of any activity connected to the industry have been reported. Our export oriented garment sector is mainly located in the zones within the Board of Investment (BOI) and in other places of the country. These are comparatively large companies where the work force is generally 200 and above. The factories in this sector are modern in keeping with the standards required for export of products. High skilled and well educated and regulated labour is utilized maintaining international labour standards.

In the event of child labour found in the garment sector or any other sector, any citizen can complain to the Commissioner of Labour who can deal with such a matter in terms of the Employment of Women, Young Persons and Children Act No.47 of 1956. Sub contracting in the garments manufacturing industry is hardly in existence, nor is child labour prevalent in subsidiaries which are very remote in this sector. There is no separate code to deal with child labour, and this does not seem necessary. All labour laws are applied to any industry without any distinction to any manufacturing industry, trade or services located within

or outside the zones of B.O.I. The application of labour laws is not in any way restricted to any industry concerned with Export Trade or otherwise. In these circumstances, there is no employment, abusive and exploitative use of child labour in Sri Lanka in the garment sector or any industry manufacturing goods and articles for export in particular.

With a view to further enhancing the quality of life for the child, in 1991 Sri Lanka formulated its own Childrens Charter based on the UN Convention of the Rights of the Child. The Charter is a policy document which sets out areas for action in respect of the promotion and protection of the rights of the child. Each Ministry has therefore been made responsible to give effect to the provisions of the Charter by way of legislative reform, administrative practices and other relevant measures in regard to matters coming within their respective purview.

The Charter provides for the appointment of a Monitoring Committee charged with the following functions :-

- (a) To render advice on any matter referred to it;
- (b) To create an awareness as regards the provisions of the Charter;
- (c) To promote legislative reforms and to make recommendations as regards matters set out in the Charter; and
- (d) To monitor the progress of the implementation of the provisions of the Charter.

The Monitoring Committee (first appointed in 1993) is composed of six (06) persons appointed by the President and Representatives of the Ministries of Education, Justice, Defence, Health, Women's Affairs, Social Welfare, Policy Planning, Labour and Provincial Councils. The Commissioner of Probation and Child Care Services is also required to be a member of this Committee.

The UN Committee on the implementation of the Convention of the Rights of Child has identified the following positive factors pertaining to Sri Lanka :-

- i. The appointment in 1993 of a National Committee for the Monitoring of the Rights of the Child;
- ii. Initiation of legislative reforms relating to child abuse, child labour and juvenile justice to ensure their compatibility with the provisions of the Convention.
- iii. The willingness of the delegation of Sri Lanka to seek advice and technical assistance from UN bodies and

specified agencies and from national and international non-governmental institutions in the fields of child abuse, child labour and juvenile justice.

A statement made by the Minister of Labour of Sri Lanka at an International Labour Organization meeting in Geneva on the subject of Child Labour in Sri Lanka is also attached. The Minister's statement explains in detail the problem of child labour in the domestic sector and measures taken by the Government to mitigate the situation by taking concrete steps with the understanding and co-operation of the international community as well as the people of Sri Lanka.

In conclusion, the Embassy of Sri Lanka reiterates that there is no cause at all for concern in this regard pertaining to garment exports from Sri Lanka to U.S. as this formal industrial sector is subjected to strict government and public scrutiny in all its activities.

CHILD LABOUR IN SRI LANKA

**Hon. Mahinda Rajapakse,
Minister of Labour & Vocational Training of Sri Lanka
- Special Session of the Labour Ministers in Geneva -
12 June 1996.**

Mr Chairman,

I have sought the floor to make a brief intervention with regard to the experience of my country in the field of child labour, which may be relevant to other developing countries as well.

As in the case of many developing countries, child labour in Sri Lanka is a result of Socio-economic conditions prevailing in the country. However, in our context, the problem of child labour is not severe in industries, commerce, services and plantation sectors. The problem is, however, evident in domestic service where the children of poor rural families are released for domestic employment by the parents who cannot afford to bring them up.

According to the Sri Lankan law, no child under the age of 14 years could be employed in industry or commerce and no child under 12 years could be employed in domestic service. The legal provisions regarding employment of children are contained both in the Factories Ordinance and the Employment of Women, Young Persons and Children's Act. Both these enactments are enforced by the Commissioner of Labour.

The Constitution of Sri Lanka makes provisions for the protection of children. Despite all these legal provisions, it is clear that children are being exploited specially in domestic service. Prevailing legislation in Sri Lanka on child labour is in conformity with the relevant articles of the ILO Convention.

Although existing legislation seems to be quite adequate to protect children from being employed and exploited for labour, a considerable number of children below the age of 14 years appear to be employed. (According to the Labour Force Survey of 1995, in the age group of 10 - 14 years, 20,600 are employed, of whom 13,700 are males and 6,900 are females). The significant proportion of those employed outside the family is in the domestic sector. There are, however, no accurate estimates as it is unlikely that households employing children under 14 years

of age will disclose such information readily. Enforcement of law is difficult.

Unpaid family work is an important component of the child labour force. There is no legislation to compel parents to send their children under 14 years to schools.

Drop out rates and absenteeism in schools may be partly due to the demand for unpaid family labour on a regular or seasonal basis in the rural areas. Children are used during the time when the demand for labour is at its peak as in the case of cultivation and harvesting seasons.

The possibility of the regular employment of children occurs mainly in the informal sectors in family enterprises, agricultural and non-agricultural, such as family farms, crafts, small trade establishments, eating houses and repair workshops. In these enterprises, the children employed also learn the skills required for these occupations. There has been no comprehensive survey of child labour to identify its socio-economic characteristics. Such a survey is a pre-requisite for designing policies and strategies to deal effectively with this problem. The problem that the government is faced with is not only one of enforcement but also one of awareness amongst parents and the householders who employ children in domestic service.

A widespread campaign is required to educate the parents of these children on the evils of child labour and the physical and psychological impact of such labour on the child. This is not a matter which can be handled by the Government only. We would need the help and co-operation of non-governmental agencies, who could, at the grass-root level, create awareness amongst the parents that despite economic problems children should be sent to schools and not for employment.

The Government of Sri Lanka has taken several steps to tackle the problem of child labour. Sri Lanka has ratified the UN Convention on the Rights of the Child. The National Committee for the Monitoring of Rights of the Child, which comprises of representatives of various governmental agencies as well as of non-governmental entities, has been established. One of the main tasks of the committee would be the monitoring of the implementation of the Action Plan for Children based on Children's Charter. Public awareness programmes have been conducted with a view to informing and sensitising the public on children's rights. The national press and the audio visual media, both governmental and private, have given wide publicity to issues relating to children.

However, the need to design a National Plan of Action against Child Labour has become very evident. It will

demonstrate the commitment of the government to address the problem of child labour in a systematic way. With this in view, Sri Lanka, with the assistance of the ILO, is now taking steps to hold a National Planning Workshop where all the relevant government institutions, workers' and employers' organizations and NGOs are brought to elaborate a programme of action.

In conclusion, Mr Chairman, we have to recognize the fact that children should be first educated and adequately equipped before they are introduced to work places. As you would appreciate, the issue of child labour should be understood in its socio-economic perspective and could be solved only through international cooperation and determined efforts of national governments. In this regard, my government recognizes the significant role that has to be played by the I.L.O.

Thank you, Mr Chairman.



TELEPHONE (202) 332-7100

EMBASSY OF THE REPUBLIC OF ZIMBABWE
1608 NEW HAMPSHIRE AVENUE, N.W.
WASHINGTON, D. C. 20009

OUR REF.: ZWA/TI/1/1/1/1

YOUR REF.:

June 27, 1996

International Labour Child Labour Study
Bureau of International Labour Affairs
Rm. S-1308
200 Constitution Avenue, NW
Washington D.C. 20210

Attention: Ms. Teresa Estrada-Berg

Dear Ms. Estrada-Berg,

RE: INTERNATIONAL CHILD LABOUR STUDY

We acknowledge with thanks receipt of your letter requesting information on child labour in Zimbabwe. Herewith is our written testimony in that regard. We will be happy to respond to any written queries should any arise.

Yours Sincerely,

A.B.M. Midzi

AMBASSADOR

**International Child Labour Study Of The Us Department Of
Labour; Progress Made By Zimbabwe In Eliminating The
Problem Of Child Labour Since The Second Report**

A Submission by the Embassy of Zimbabwe

Zimbabwe wishes to reiterate its position as stated in its previous submission in response to the second study that it would be erroneous and grossly unfair on the part of the study to infer that there is child labour in Zimbabwe before a proper official study is carried out.

It is Zimbabwe's conviction that it subscribes and adheres to the noble provisions of the I. L. O. and U. N conventions on children. The national legislation includes the Children's Protection Act, the Deceased Persons Act, the Maintenance Act and the Guardianship of Minors Act enforced by the Department of Welfare in the Ministry of Public Service, Labour and Social Welfare which seek to safeguard and protect the rights and interests of children according to international conventions.

The Ministry of Public Service, Labour and Social Welfare together with the Ministry of Justice is working on a Bill which if passed by the Parliament of Zimbabwe, will further protect children and young persons from the practice of child labour.

Further our criminal justice system has provisions for dealing with juveniles as minors. Our education policy makes it compulsory for children to remain in school up to the age of 16, and publically funded Primary education is free to ensure that all children benefit from the educational system

In the field, the national Labour Laws bar employers from engaging children. The Laws are enforceable by the department of Labour Relations through its Inspectorate Unit. Where engagement of

minors in simple household chores is concerned, we abide by the I. L. O. convention No. 138 of 1978 (Minimum Age Convention) which allows their engagement in light and harmless types of work. It is our view that these chores are a necessary ingredient in preparing our youths for greater adult responsibilities and reinforces strong family values.

Zimbabwe recognized the fact that poverty is the chief cause of child labour and has therefore put in place a strategy, the Poverty Alleviation Plan to alleviate the plight of the marginalised. The programme provides the poor with financial resources and technical skills necessary to improve their lot. Zimbabwe is determined to hold poverty in check in order to arrest tendencies towards child labour.

We hope this information will serve to show that Zimbabwe is serious about stamping out the practice of child labour. The Government is making efforts to enforce the existing laws and to strengthen the laws where it is necessary.

Thank you.

**STATEMENT BY THE
AMERICAN APPAREL MANUFACTURERS ASSOCIATION
REGARDING
CHILD LABOR IN IMPORTED GOODS
BEFORE THE
BUREAU OF INTERNATIONAL LABOR AFFAIRS
U. S. DEPARTMENT OF LABOR**

For information:

Michael R. Gale
AAMA
2500 Wilson Boulevard
Arlington, Virginia 22201
703-524-1864

The American Apparel Manufacturers Association appreciates the opportunity to submit these comments in conjunction with the Department of Labor's hearing regarding the use of abusive or exploitative child labor in the production of goods imported into the United States.

AAMA is the central trade association of the U.S. apparel industry, representing more than 70 percent of U.S. apparel production. AAMA members make everything from socks to caps from underwear to shirts and sweaters, to suits and overcoats. While the industry is large, most of the companies are relatively small. Most of our members have sales under \$20 million annually and many have sales under \$10 million. There are approximately 860,000 apparel manufacturing jobs in the U.S. and almost every state has some apparel employment. About 40 percent of the American apparel workers are minorities and more than 80 percent are women.

The American apparel industry is a major component of the American manufacturing sector. Employment in the apparel industry decreased by about 36 percent since the mid-1970s and more than 100,000 jobs were lost in 1995. In 1973, the American apparel industry supplied 88 percent of the garments consumed by Americans and in 1995, that share fell to 50 percent. Apparel imports increased from 1.6 billion square meters in 1973 to 8.4 billion in 1994, an increase of 420 percent. The American apparel industry consumes 42 percent of the fabric produced by American textile mills, which employ more than 650,000 people.

While we remain a very large manufacturing presence in the United States, many of our members also manufacture overseas, especially in Mexico, Central America and the Caribbean. Some import directly from the Far East.

We would like to be able to say that there is no problem with child labor in other countries. Sadly, we cannot do that. We know it exists. And it exists to our detriment. Factories employing children and otherwise breaking legitimate employment laws give our industry a bad name and they constitute unfair competition for the hundreds of American companies which obey the law, pay living wages and treat their employees humanely.

We can, however, say that we believe we are part of the solution, not part of the problem.

Members of the American Apparel Manufacturers Association subscribe to the following statement of responsibility:

"AAMA members are committed to the fair and rational practice of business in the United States and abroad. Basic to this commitment is the

fair and equitable treatment of employees in wages, working conditions, and benefits. In no case do we support the use of child labor, prison labor, discrimination based on age, race, national origin, gender or religion, the violation of legal or moral rights of employees, nor destruction or harm to the environment."

AAMA member companies manufacturing in other countries treat their operations and their employees the same as they do in their domestic operations. They run clean, efficient plants, pay their workers above the local minimum wage, do not demand unlawful overtime and provide a variety of benefits.

They do this for a good reason: it is good business.

Investing in workers improves employee retention, which in turn results in greater worker productivity and consistently higher quality production. Consequently, U.S. owned or operated plants in Central America and the Caribbean are the employers of choice. But, U.S. companies are not the only manufacturers in the region.

Notably, recent media reports of child labor abuses in Central American apparel facilities did not occur in U.S.-owned facilities. The companies implicated were operated by third-country nationals -- Koreans and Taiwanese. In recent years there has been an influx of Korean and Taiwanese operators in Central America. They have chosen the region because it is a relatively low-cost labor area and because quotas established under the Multifiber Arrangement restrict their freedom to ship from their own countries. Also, with rapid economic development in some of the Asian countries, they no longer are price competitive in the world-wide apparel marketplace.

Unfortunately, the factories operated by Asian nationals do not operate under the same standards as U.S.-owned or operated facilities. The AAMA and individual U.S. companies regularly communicate with the Ministries of Labor in the Caribbean basin region and AAMA provides advice to the manufacturing associations in the region on how to improve wage and hour monitoring and compliance. Factories in which workers are abused are anti-competitive and reflect poorly on the industry as a whole. We are anxious to see worker abuses eradicated worldwide.

American apparel companies also are increasing apparel assembly production in the Caribbean Basin region, attracted in part by the Section 807 program which allows for reimportation of garments assembled off-shore with duty paid only on the value added by the sewing operation. The U.S. government has encouraged apparel companies to invest in the countries of the Caribbean Basin Initiative, making use of Section 807.

It is in the best interests of the U.S. and of the countries of Central America and the Caribbean Basin to have stable, productive economies and stable, democratic governments. The jobs created by the apparel industry contribute to that stability and are important to the future economic growth of the region.

The continued economic health of the CBI region is tied inextricably to the growth of the region's apparel assembly industry. Export revenues generated by apparel assembly encourages governments to increase and accelerate economic reform. Job creation in the region would have been stagnant without the demand for apparel assembly workers. Improving economic conditions contribute to political stability and deter illegal immigration.

It is important to realize that the production that has been moved south of the boarder was no longer economically viable in the United States. Without the incentive of Section 807, that production would have gone to the Far East where there would be little U.S. involvement in the manufacturing process, and where the existence of sweatshops and child labor is rampant.

There is a step that can be taken to further encourage U.S. companies to invest in the Caribbean, transferring production from the Far East and squeezing out the unscrupulous operators already present in the CBI. That would be passage of the Caribbean Basin Trade Security Act (H.R. 553 and S. 529) currently pending before Congress.

Enactment of this legislation would make apparel production in Central America and the Caribbean competitive with any region of the world. Its proximity to the U.S. market would make it doubly attractive for American apparel manufacturers.

The result would be beneficial to the U.S. apparel industry and to the region. U.S. apparel manufacturers could use production in the region to lower their overall costs, compete in the world market and maintain a large employment base in the United States, as well as improving working conditions in the CBI region.

For the countries of the region, it would mean creation of thousands of relatively well-paying jobs, contributing to continued economic expansion and stability and improvements in living conditions and life styles for all the workers.

We would like to submit with this statement a videotape we made in support of the CBI legislation. While not directly addressing the subject of the current inquiry, it does deal with working conditions in the CBI region and may be useful.

STATEMENT BY JACK SHEINKMAN
Chairman of the Board, Amalgamated Bank of New York
Member of the Board of Directors, The Council on Economic Priorities, New York

As a longstanding advocate of workers' rights and labor standards, it is my privilege to submit these remarks on behalf of both the Amalgamated Bank of New York and The Council on Economic Priorities, also of New York. I serve on the Boards of both institutions, and am proud of the leadership each has exercised, in its own manner, toward eliminating child labor -- the shameful scourge of late 20th century global economic expansion.

Having worked for more than four decades from within the American labor union movement, I am heartened by the seriousness with which the United States Department of Labor, under the strong leadership of Secretary Robert Reich, has undertaken concrete research and policy initiatives aimed at addressing the appalling continuance of child labor. You have made representatives of nongovernmental, labor, and business organizations your partners -- both in research for the widely acclaimed *Sweat and Toil* series (Volumes I & II), and in the Department's "No Sweat" Campaign, recently inaugurated in response to widespread public outcry over the increasing prevalence of sweatshops at the heart of the American textile manufacturing.

Now, as the Department of Labor prepares to commence work on the third volume in the *Sweat and Toil* series, consumer concern over child labor and sweatshop abuses has peaked as never before: a series of high-profile revelations involving major American manufacturers has exposed the intricacies (and dangers) of unmonitored contracting and subcontracting in the garment and related industries -- both within the United States, and internationally.

Responsible business expansion and competition in the next century must not come at the expense of basic workers rights and labor standards. American companies simply cannot afford to compete on the basis of starvation wages and appalling work conditions; leading a downward global trend is not in our national interest. Consumers have made it clear that child labor and sweatshops are an affront to our shared American history and values -- and to basic, human decency.

I will respond to the four, pointed questions outlined by the Department of Labor in advance of this hearing with specific insights on how American private and nongovernmental organizations can (and have) contributed toward the elimination of abusive and exploitative forms of child labor in the production of goods imported into the United States. By citing actual examples of corporate practice, I intend to shatter the myth that competitiveness and erosion of decency are necessarily correlated. The research efforts of the Council on Economic Priorities (amply demonstrated in the appendices to this testimony) are aimed at informing and empowering consumers so that we can put the massive weight of American purchasing power behind companies which honor workers rights and creatively work to raise labor and environmental standards, worldwide.

I. Efforts by US companies aimed at eliminating the use of abusive and exploitative child labor:
Levi Strauss & Company was among the first companies to pair its general Code of Ethics with a robust set of *Global Sourcing and Operating Guidelines* and an accompanying set of *Country Assessment Guidelines*. The former "address workplace issues that are substantially controllable by individual business partners" and

the latter, "address larger, external issues beyond the control of individual business partners." Auditors use a standard *Terms of Engagement Audit form* to assess contractors' compliance with the Global Sourcing Guidelines -- this in an effort to insure uniformity and thoroughness in monitoring.

I was involved with Levi's in the development of these path-breaking standards. Since 1992, the company has systematically audited its approximately 700 sewing and finishing contractors in more than 50 countries (using trained Levi Strauss & Co. Personnel -- not independent monitors) and has found that roughly 70 percent have met the company's Terms of Engagement standards; another 25 percent are making required improvements; and 5 percent were dropped due to "poor personnel practices, use of child labor, health and safety conditions, and trademark violations."

In an particularly notable case, Levi's has worked in partnership with two contractors in Bangladesh (since 1992) to institute an educational program wherein the contractors have "continued to pay wages and agreed to hire the children back when they turned 14," and Levi's has sent the children to school, footing the bill for uniforms, books and tuition." (See CEP Research Report, February 1994, attached). The cost of the entire initiative (shared between Levi's and the contractors) is several thousand dollars/year. In more general corporate philanthropy, Levi's donates 2.5 percent of its pretax profits to support the work of the Levi Strauss Foundation, which in 1993 made grants in excess of \$9.5 million to a wide range of US-based community development programs.

Reebok International, Ltd.

Since 1992, Reebok, too, has developed *Human Rights Production Standards* which clearly outline its standards of business practice (and those expected of contractors) on non-discrimination, working hours/overtime, forced or compulsory labor, wages (i.e., will not pay less than minimum wage), freedom of association, safe and healthy work environment, and child labor. On child labor, Reebok explicitly states its commitment not employ workers who are "less than 14 years of age, or younger than the age for completing compulsory education if the age is higher than 14. In countries where the law defines 'child' to include individuals who are older than 14, Reebok will apply that definition." Similar to Levi's, the company conducts its own auditing procedures -- though an audit instrument is not publicly available.

The company's high-profile philanthropic activity on issues of human rights commenced in 1988, in conjunction with its annual "Human Rights Awards" program; in 1994, an Award was made to child labor rights advocate Iqbal Masih of Pakistan. Through the Reebok Foundation (annual awards in excess of \$2 million in 1993) the Foundation supports a wide-range of youth development and international human rights organizations, in the USA and abroad. As detailed in Reebok's letter of 12 June 1996, the company, following discussions with colleagues in the Soccer Industry Council of America, has taken a series of recent steps to eliminate child labor in the manufacture of hand-stitched soccer balls. Reebok's approach includes an explicit focus on child education within the broader scope of a comprehensive pilot program for a new manufacturing facility in Pakistan; Reebok is working to identify appropriate nongovernmental partners to involve in implementation of the program's educational component.

The Gap, Inc.

In an extremely significant shift, The Gap has acted to uphold its own corporate *Sourcing Policies and Sourcing Guidelines for Vendor Selection* (adopted in 1992-93) by agreeing to engage independent, third-party monitors in auditing production at a Salvadoran-based manufacturing facility where labor abuses have

seen rise in the past. Responding in late 1995 to coordinated pressure from nongovernmental organizations (led by the National Labor Committee of New York, which I co-founded), The Gap entered into mediated negotiations, facilitated by (among others) the InterFaith Center for Corporate Responsibility, also of New York.

The company's monitoring arrangement in Central America is unique, in that it will use Offices of the Human Rights Ombudsman of El Salvador and similar offices throughout Central America to monitor the compliance of Gap factories and contractors with the company's labor guidelines. Human rights officials will be given access to Gap factories -- and, critically, workers will be guaranteed the right to unionize without adverse repercussions. The Gap has put the concept of independent monitoring on the corporate, labor and advocacy agenda, and I, among others, am watching its development with considerable interest.

Similar efforts by United States NGOs:

The Council on Economic Priorities

Through a new program vehicle, the *Partnership for Responsible Global Sourcing* (PRGS), the Council on Economic Priorities (founded in 1969) has moved from merely critiquing company performance to engaging corporations in a dialogue with one another -- and with CEP -- on how to improve corporate performance in this highly sensitive area. The result is greater disclosure of information on actions taken to adopt codes of conduct; to monitor production in company-owned and subcontracted production facilities; and to engage in partnerships with relevant actors in the nongovernmental community, in the United States and in developing countries where sourcing and sub-contracted production often takes place.

Members of the Partnership have signed off collectively on CEP's revised Guidelines for Corporate Action on Child Labor (enclosed) and on a mission statement (included in the enclosed recruitment flyer). Notably, the Guidelines fully incorporate partnerships with nongovernmental actors as an integral aspect of corporate social responsibility, one in the series of steps that any company can and should take as it seeks to address the problem of child labor.

In addition, the Council has begun to "mainstream" analysis of child labor and sourcing issues within its broader, ongoing research on corporate social responsibility. Targeted questions on codes and monitoring have begun to be integrated within our standard SCREEN questionnaire, used in assessing the environmental and social performance of over 700 US-based companies. The service is available on a quarterly basis to individual and institutional investors, and is accessible through major on-line financial services (including ADP, ILX, Reuters, Market Max and Quotron). A copy of the questionnaire is attached.

In time, the evolving discussion of codes and related worker rights, labor and environmental standards among members of the Partnership stands to increase industry-wide endorsement for these concepts and corresponding actions to uphold and enforce them. Translating conceptual acceptance into action, however, will require training in the practice of effective monitoring, along with sustained support for basic development efforts in communities where poverty gives rise to child labor itself. While the standardization of criteria for effectively assessing the relative strength and comprehensiveness will take time, CEP is encouraged that many in the investment community as well as consumer groups and corporations have expressed interest in augmented SCREEN ratings of this nature.

I. & III. Codes of Conduct

Regarding the nature, adequacy, and effectiveness of codes of conduct for major American garment manufacturers, I am pleased to submit as *Appendix I* to this testimony a comprehensive grid which outlines the basic components of codes for seven major garment manufacturers, along with the codes for two major shoe manufacturers and that of one agricultural commodities producer (the first of its kind). The grid itself shows at a glance which companies include in their codes explicit policy statements on basic workers rights, child labor, working hours, wages, environment, and monitoring. The grid is accompanied, in turn, by five pages of charts which spell out in detail the constituent elements of the major components of each code. *Appendix II*, in turn, presents specific language included in the individual codes, and should be used as a background reference to verify information included in the grid and accompanying charts.

To judge the effectiveness of these codes one against the other, I urge a close read of *Appendix I and II*. While most companies are strong on the core elements of basic workers' rights (i.e., the prohibition of forced labor, the right to freedom of association, guarantees of workplace health and safety) there is considerable variety in hour and wage policies. For example, benchmark companies among the group such as Reebok, along with the Union of Needletrades, Industrial and Textile Employees (UNITE), explicitly refer to a desired 48 hour work week in their statements on working hours. Not surprisingly, Reebok and UNITE also refer to wage provisions which are not only in compliance with local minimum wage laws but which go further to ensure wages that address the basic needs of the worker. On child labor, Reebok and UNITE also go far to define a child as someone younger than the age for completing mandatory education if that age is higher than 14 (the ILO minimum standard for developing countries) -- this in effort to ensure that if a child is old enough to work, she or he is not summarily removed from school if the age for completing mandatory education is higher.

IV. US and International Law that might be use to encourage the elimination of child labor exploitation.

I urge the Department of Labor to be vigilant in support of monitoring and enforcement efforts within the United States. The ratio of monitors to businesses in this country is, as Secretary Reich has rightly pointed out before, extremely low: 800 DOL monitors to cover the entire country -- all six million workplaces. Without strong and sustained Federal commitment to stringent monitoring and enforcement, America's calls to vigilantly safeguard worker rights and labor standards abroad will ring hollow.

Moreover, I urge sustained support for the development and education efforts of the US Agency for International Development (USAID) and critical UN agencies such as UNICEF and the ILO. Their work helps to ensure that children in rich and poor countries alike have alternatives to work

CEP's recommendations have concentrated not on "hard-law" but rather, soft law/policy incentives framed in Congressional Testimony delivered 29 April 1996 by Alice Tepper Marlin, which I submit as a final annex to my testimony. I urge you to read them, and to take action on the many thoughtful and compelling suggestions presented.

Again, my thanks to the Department of Labor for the unique opportunity to contribute to this hearing -- and with it, the forthcoming third volume in your *Sweat and Toil* series. Let us hope that the shame of the sweat of children moves us to prompt and lasting action.

APPENDIX I: BASIC COMPONENTS OF COMPANY CODES OF CONDUCT

Codes of Conduct: Identifies the Categories that Each Company Code Includes*

Company	Basic Workers' Rights	Child Labor	Working Hours	Wages	Environment	Monitoring
Dayton Hudson	yes	yes	yes	yes	no	no
The Gap	yes	yes	yes	yes	yes	no
Levi Strauss	yes	yes	yes	yes	yes	yes
Liz Claiborne	yes	yes	yes	yes	yes	no
Nordstrom	yes	yes	yes	yes	yes	yes
Phillips Van-Heusen	yes	no	yes	yes	yes	no
Reebok	yes	yes	yes	yes	no	yes
Starbucks	yes	yes	yes	yes	yes	no
Timberland	yes	yes	yes	yes	yes	yes
UNITE	yes	yes	yes	yes	no	yes

*This grid serves as a comparison of the different components of company codes. For a more detailed analysis of each component, please see attached appendices.

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Codes of Conduct: Basic Workers' Rights

Company	Forbids the use of prison/forced labor	Freedom of association	Seeks vendors who don't discriminate based upon race, religion, gender, national origin, or political affiliation	Forbids the use of cruel and unusual disciplinary practices*	Vendors must maintain a safe and healthy workplace
Dayton Hudson	stated in code	not stated in code	stated in code	stated in code	stated in code
The Gap	stated in code	not stated in code	not stated in code	stated in code	stated in code
Levi Strauss	stated in code	not stated in code	stated in code	stated in code	stated in code
Liz Claiborne	stated in code	stated in code	stated in code	stated in code	stated in code
Nordstrom	stated in code	not stated in code	not stated in code	not stated in code	stated in code
Phillips Van-Heusen	stated in code	not stated in code	stated in code	stated in code	stated in code
Reebok	stated in code	stated in code	stated in code	stated in code	stated in code
Starbucks	stated in code	stated in code	not stated in code	not stated in code	stated in code
Timberland	stated in code	not stated in code	not stated in code	not stated in code	stated in code
UNITE	stated in code	stated in code	stated in code	stated in code	stated in code

* cruel and unusual punishment refers to disciplinary practices such as corporal punishment, mental or physical coercion, or sexual harassment

Codes of Conduct: Child Labor

Company	Forbids child labor as defined by local law	Defines "child" as less than 14yrs	Defines "child" as younger than age for completing mandatory education if that age is higher than 14	Defines "child" as younger than age for completing mandatory education as locally defined	Supports workplace apprenticeship or educational programs for younger workers
Dayton Hudson	stated in code	stated in code	not stated in code	not stated in code	stated in code
The Gap	stated in code	not stated in code	not stated in code	not stated in code	not stated in code
Levi Strauss	stated in code	stated in code	not stated in code	stated in code	stated in code
Liz Claiborne	stated in code	not stated in code	not stated in code	not stated in code	not stated in code
Nordstrom	stated in code	not stated in code	not stated in code	stated in code	not stated in code
Phillips Van-Heusen	not stated in code	not stated in code	not stated in code	not stated in code	not stated in code
Reebok	stated in code	stated in code	stated in code	not stated in code	not stated in code
Starbucks	stated in code	not stated in code	not stated in code	not stated in code	not stated in code
Timberland	stated in code	stated in code	not stated in code	stated in code	stated in code
UNITE	stated in code	stated in code	stated in code	not stated in code	not stated in code

Codes of Conduct: Working Hours

Company	Favors less than 60/hr work week	Forbids more than 60/hr work week	One day off in seven	Comply w/local working hour law
Dayton Hudson	not stated in code	stated in code	not stated in code	stated in code
The Gap	not stated in code	not stated in code	not stated in code	stated in code
Levi Strauss	stated in code	stated in code	stated in code	stated in code
Liz Claiborne	not stated in code	not stated in code	stated in code	stated in code
Nordstrom	not stated in code	not stated in code	not stated in code	stated in code
Phillips Van-Heusen	stated in code	stated in code	stated in code	stated in code
Reebok*	stated in code	stated in code	not stated in code	not stated in code
Starbucks	not stated in code	not stated in code	not stated in code	stated in code
Timberland*	stated in code	stated in code	stated in code	not stated in code
UNITE*	stated in code	stated in code	stated in code	stated in code

* refers to 48/hr work week

Codes of Conduct: Wages

Company	Seek partners who comply with local minimum wage laws	Seek partners whose wages match or exceed local industry standards	Seek partners whose wages address the basic needs of the worker
Dryton Hudson	stated in contract	not stated in contract	stated in contract
The Gap	stated in contract	not stated in contract	not stated in contract
Levi Strauss	stated in contract	stated in contract	not stated in contract
Liz Claiborne	stated in contract	not stated in contract	not stated in contract
Nordstrom	stated in contract	stated in contract	not stated in contract
Phillips Van-Heusen	not stated in contract	stated in contract	not stated in contract
Reebok	stated in contract	not stated in contract	stated in contract
Starbucks	not stated in contract	not stated in contract	stated in contract
Timberland	stated in contract	not stated in contract	not stated in contract
UNITE	stated in contract	not stated in contract	stated in contract

Codes of Conduct: Environment

Company	Comply w/local environmental law	Seek partners who work to preserve the environment and/or are committed to progressive environmental policies	Seek partners who comply w/company guidelines (implicitly higher than local standards)
Dayton Hudson	NO ENVIRONMENTAL STATEMENT		
The Gap	stated in code	stated in code	not stated in code
Levi Strauss	not stated in code	stated in code	stated in code
Liz Claiborne	not stated in code	stated in code	not stated in code
Nordstrom	stated in code	stated in code	not stated in code
Phillips Van-Heusen	not stated in code	stated in code	not stated in code
Reebok	NO ENVIRONMENTAL STATEMENT		
Starbucks	not stated in code	stated in code	not stated in code
Timberland	not stated in code	stated in code	not stated in code
UNITE	NO ENVIRONMENTAL STATEMENT		

APPENDIX II
SPECIFIC LANGUAGE INCLUDED
IN SELECTED
CODES OF CONDUCT

Dayton Hudson

1. **Safe & Healthy Workplace:** DH will seek vendors who provide all their employees with a safe and healthy workplace
2. **Forced or Compulsory Labor:** DH will not work with vendors that use forced or compulsory labor in production; this includes labor that is required as a means of political coercion or punishment for expressing political views
3. **Disciplinary Practices:** DH will not knowingly use vendors who use corporal punishment or other forms of mental physical coercion.
4. **Non-Discrimination:** DH recognizes cultural differences, however, DH believes that workers should be employed on their ability to perform their work as opposed to personal characteristics or beliefs
5. **Working Hours and Overtime:** DH will seek vendors who do not require more than 60 hour work weeks
6. **Fair Wages:** DH will seek vendors who share their commitment to the betterment of wage and benefit levels that address the basic needs of workers and their families
7. **Child Labor:** DH will seek vendors who do not use child labor; DH will expect its vendors to comply with the law of the country of origin in defining the term "child", but they will not use vendors that use labor under the age of 14 regardless of the law of the country; DH will support the development of legitimate workplace apprenticeship programs for the educational benefit of the young

The Gap

Council on Economic Priorities, 1996

1. **Legal:** Must comply with laws and regulations in the US and in any other country The Gap does business
2. **Human Rights:** The Gap will not use vendors who violate basic human rights
3. **Political Stability:** The Gap will try and avoid doing business in countries that experience a great deal of political instability
4. **Employment Practices**
 - a. wage and hour laws: vendors must comply with all applicable wage, hour, and child labor laws and regulations
 - b. forced labor: The Gap will never do business with vendors employing prison labor or use corporal punishment or other forms of mental or physical coercion as a form of discipline
 - c. working conditions: vendors employment practices should be at least equal to the prevailing industry standards in the community
 - d. health & safety: The Gap will not have contractual relationships in locations where there is evidence that employees would be exposed to unreasonable health risks
5. **Environment:** The Gap strives to do business with vendors that share their commitment to preserving the environment; at minimum, their vendors should meet all current applicable environmental rules, regulations, and laws in their countries

Levi Strauss

1. **Environmental Requirements:** Seek partners who are committed to the environment and conduct business that is consistent with Levi Strauss environmental guidelines
2. **Ethical Standards:** Seek business partners who conduct business to a set of ethical standards not incompatible with Levi's own
3. **Health & Safety:** Seek and utilize business partners who provide workers with a safe and healthy work environment; and businesses's that provide residential facilities must provide safe and healthy facilities
4. **Legal Requirements:** Business partners must be law abiding and comply with legal requirements relevant to the conduct of their businesses

5. Employment Practices

- a. wages and benefits: only do business with companies that prove wages and benefits that comply with any applicable laws and match local manufacturing practices
- b. working hours: Levi's favors busies partners who utilize less than sixty hour weeks, and Levi's will not use contractors that require work weeks in excess of 60 hours/week; employees should be gllowed one day off in seven
- c. child labor: use of child labor is not permissible; workers can be no less than 14yrs, and not less than the compulsory age to be in school; Levi's supports the development of legitimate workplace apprenticeship programs for the educational benefit of younger people
- d. prison labor/forced labor: Levi's will not utilize prison or forced labor
- e. discrimination: employee's should be employed on the basis of their ability to do the job, and not on the basis of personal characteristics or beliefs
- f. disciplinary practices: not utilize business partners who use corporal punishment or other forms of the mental or physical coercion

- 6. Community Betterment:** Favor business partners who share a commitment to contribute to the betterment of community conditions

Liz Claiborne

- 1. Legal Requirements:** Suppliers must observe all local applicable laws, as well as US laws relating to the imports of products; if local or industry practices exceed local legal requirements, the higher standard should be met
- 2. Health & Safety:** Conditions must be safe, clean, and acceptable throughout all work and residential facilities
- 3. Employment Practices**
 - a. suppliers must pay wages and benefits and provide compensation for overtime consistent with all applicable laws
 - b. suppliers must adopt working hours that do not exceed local law; one day off in seven should be encouraged
 - c. suppliers must not use child labor as defined by local law, forced labor, or prison labor

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- d. suppliers must not use corporal punishment or other mental or physical disciplinary actions or engage in sexual harassment
 - e. we favor suppliers who do not discriminate based upon race, religion, national origin, political affiliation, or sex, and who encourage free association and freedom of expression
4. **Environmental Practice:** we favor suppliers who practice environmental protection
 5. **Ethical Conduct:** Liz Claiborne encourages all suppliers to embrace the local standards in the conduct of their business; Liz Claiborne will not support or participate in any way in any local, regional, or national war

Nordstrom

1. **Legal Requirements:** Nordstrom expects all of its partners to comply with applicable laws and regulations of the US and of the respective country of manufacturing; all products must accurately identify the country of origin
2. **Health & Safety Requirements:** Nordstrom seeks partners who provide safe and healthy work environments for their workers, including adequate facilities and protection from exposure to hazardous conditions and materials
3. **Employment Practices:** Nordstrom pursues partners who do not discriminate and who demonstrate respect and dignity for all people
 - a. working wages, hours, and overtime: Nordstrom expects its partners to offer wages, benefits, and work conditions consistent with the prevailing local industry standards; also to comply with all applicable wage and hour laws, rules, and regulations-including those related to overtime
 - b. child labor: Nordstrom will not enter into partnership with vendors who utilize child labor in manufacturing- "child" refers to a person younger than the age for completing compulsory education
 - c. prison or forced labor: Nordstrom will not conduct business with vendors who utilize prison, indentured or forced labor
4. **Environmental Standards:** Partners must demonstrate a regard for the environment as well as compliance with local laws; Nordstrom also seeks partners who demonstrate a commitment to progressive environmental practices

5. **Documentation and Inspection:** Nordstrom will monitor its guidelines and undertake on site inspections

Phillips-Van Heusen

1. **Ethical Standards:** PVH will not do business with any vendor who discriminates based on race, gender, or religion; nor will PVH do business with any vendor who violates the legal and moral rights of an employee in any way
2. **Environmental Requirements:** Seek and engage vendors who share PVH's commitment to the environment
3. **Legal Requirements:** PVH vendors are expected to comply with any and all legal requirements relevant in the communities that PVH operates
4. **Health & Safety Requirements:** PVH will only do business with vendors who provide employees with a safe and healthy working environment, including taking care of the health-care needs of employees
5. **Employment Practices**
 - a. Vendors must provide reasonable wages and benefits to employees matching or exceeding local industry standards
 - b. Vendors should not schedule work for more than sixty hours a week, and PVH favors vendors which utilize work of less than 60 hour weeks; employees should be allowed one day off per seven
 - c. PVH will not associate with any vendors who use any form of mental or physical coercion, nor any vendor that uses prison or forced labor
 - d. PVH will not do business with any vendor who denies employee access to education, health care, religious observance, or family obligations
 - e. PVH favors vendors who have a commitment to contribute to the betterment of the community that they operate

Reebok

1. **Non-Discrimination:** seek and engage partners who do not discriminate in hiring and employment practices on grounds of race, color, national origin, religion, or political opinion
2. **Working Hours:** seek and engage partners whose regular work schedule

Council on Economic Priorities, 1996

- does not exceed 48 hours per week; will not seek partners where employees are expected to work more than 60 hours per week
- 3. **Voluntary Employment:** will not engage in partners that use forced or labor as a means of political coercion or punishment for political views"; will not purchase materials that were produced by forced prison or other compulsory labor
- 4. **Wages:** will seek and engage partners who address the basic needs of workers; will not select business partners who pay less than the minimum wage required by law
- 5. **Child Labor:** will not work with partners that use child labor, "child" defined as person who is less than 14yrs, or younger than the age for completing compulsory education if that age is higher than 14
- 6. **Freedom of Association:** seek and engage partners that allow employees to establish and join organizations of their own choosing
- 7. **Health & Safety:** seek and engage partners that strive to assure employees a safe and healthy work place
- 8. **Enforcement:** Reebok will seek partners that allow Reebok full knowledge of the production facilities used and will undertake measures such as on-site inspections of production facilities to implement these standards

Starbucks

- 1. **Human Rights**
 - a. Only support voluntary labor
 - b. Employees should have the right to freely associate with organizations or individuals of their choosing
 - c. Children should not be unlawfully employed as laborers
- 2. **Standards in the Work place**
 - a. Wages should address the basic needs of workers and their families
 - b. Employees should have safe and healthy places of work
 - c. If children do work, it should not interfere with education
 - d. Employees should have access to safe housing, clean water, and health facilities and services
- 3. **Value of Diversity**

- a. Starbucks should serve as a model of a successful company that promotes diversity
- b. People should be able to meet their basic needs regardless of differences
- c. Starbucks will respect all local laws and customs

4. Environment

- a. Starbucks supports progressive environmental practices and conservation efforts
- b. Starbucks will demonstrate leadership for environmental practices in countries that Starbucks does business
- c. Starbucks believes that hazardous materials such as chemicals and pesticides should be used safely, if it all

Timberland

- 1. **Value of Diversity/Human Rights:** seek and engage partners whose written policies and actual policies of employment reflect the value of diversity
- 2. **Environmental Stand:** seek and engage partners who work to preserve the environment through various different means such as energy conservation, reduction and disposal of waste, environmental restoration, and public disclosure
- 3. **Community Building/Corporate Citizenship:** seek and engage partners who promote local community organizations and opportunities for employees to become active in their community
- 4. **Compliance with Applicable Laws:** seek and engage partners who comply with applicable domestic and international laws
- 5. **Wages:** seek and engage partners who provide wages consistent with local applicable laws and government regulations
- 6. **Working Hours:** seek and engage partners whose regular work schedule does not exceed 48 hours per 6 day work week; will not seek partnerships where employees are expected to work more than 60 hours per 6 day work week
- 7. **Voluntary Employment:** seek and engage partners who only employee workers strictly on a voluntary basis

Council on Economic Priorities, 1996

8. **Health and Safety:** seek and engage partners who provide their workers with a safe and healthy working environment
9. **Annual Review:** to ensure enforcement of these codes, we will conduct annual and ongoing reviews of the consistency of our partnerships in abiding by these codes

Union of Needletrades, Industrial & Textile Employees (UNITE)

1. **Wages:** AC will only do business with partners who provide wages and benefits that comply with applicable law and provide a "living wage" defined as a specified market-basket of consumer goods priced in local currency and adjusted for inflation
2. **Working Hours:** AC will only do business with partners that comply with all applicable laws and will not use a vendor who requires more than 48hr work week and does not provide at least one day off in seven
3. **Forced or Compulsory Labor:** AC will not work with vendors that use forced or compulsory labor, including labor that is used as a means of political coercion or punishment for holding or expressing political views
4. **Child Labor:** AC will not work with partners that use child labor, "child" is defined as a person less than 14yrs, or younger than the age for completing compulsory education if that age is higher than 14
5. **Freedom of Association:** AC will do business with vendors that allow employees to establish and join organizations of their own choosing
6. **Discrimination:** AC will not use partners who discriminate on the basis of personal characteristics; they will not utilize partners who use corporal punishment or other forms of mental or physical coercion
7. **Safe & Healthy Work Environment:** AC will use partners that employee a safe and healthy workplace
8. **Continued Violators:** If AC determines that partners have been repeat violators of these principles, it shall give them 60 days to remedy the situation
9. **Monitoring:** AC will periodically monitor the compliance of these standards

Please send me more information on the following:
(please check all that apply)

☐ Membership, Partnership for Responsible Global
Sourcing.

☐ Membership, Council on Economic Priorities

☐ Human Rights Monthly Briefing

☐ Other Child Labor Information

COUNCIL ON ECONOMIC PRIORITIES

PARTNERSHIP FOR RESPONSIBLE GLOBAL SOURCING

Send all requests to:

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Tel: 212 420 1133
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Attention:

Pia Sabharwal, Project Coordinator
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PARTNERSHIP FOR RESPONSIBLE GLOBAL SOURCING

a forum of
THE COUNCIL ON ECONOMIC PRIORITIES

The Council on Economic Priorities (CEP), a public service research organization based in New York, has initiated a dialogue on child labor and related challenges of doing business in the developing world, involving members of the retail, garment, toy and carpet industries, among others. Participants include representatives of Liz Claiborne, Toys R US, and Levi Strauss & Company.

Convened as the Partnership for Responsible Sourcing, members meet three times annually for off-the-record discussion on how to effectively draft, adopt, monitor and implement corporate codes of conduct -- with special attention to child labor as it relates to activity in these and other industries, worldwide.

Additionally, members receive a Monthly Briefing Packet on Human Rights (prepared by CEP staff) which includes a wide range of press clippings along with articles and excerpts from leading industry and scholarly publications.

With the advice and consultation of the members of the Partnership for Responsible Sourcing, CEP has produced a set of Guidelines for Corporate Action on Child Labor for distribution by CEP to industry groups, consumers, the media and corporations.

CEP and current Partnership members envision taking on other complex human rights and business issues as our work evolves.

PARTNERSHIP FOR RESPONSIBLE GLOBAL SOURCING

a forum of
THE COUNCIL ON ECONOMIC PRIORITIES

Mission Statement

The Mission of the Partnership for Responsible Global Sourcing is to enable leading businesses to source production in a manner that is both profitable and socially responsible.

Participants in the Partnership are corporate representatives dedicated to ensuring our adoption, successful monitoring and implementation of codes of conduct which enhance the quality of life of workers, especially children, and the communities in which we operate. Participants take a stand not only against exploitative child labor, but also for the provision of quality working conditions.

Participants intend to achieve this goal by working as a resource in partnership with peers in industry, business partners, and the nonprofit sector, at home and abroad, to promote sourcing practices that are socially responsible. We seek to share our experience and win broad support for the Mission from the corporate community and the public.

We invite your participation.

COUNCIL ON ECONOMIC PRIORITIES

**HOW TO DEVELOP
GUIDELINES FOR CORPORATE ACTION ON
CHILD LABOR**



**COUNCIL ON
ECONOMIC
PRIORITIES**

**30 Irving Place
New York, NY 10003
212-420-1133**

COUNCIL ON ECONOMIC PRIORITIES

GUIDELINES FOR CORPORATE ACTION ON CHILD LABOR

INTRODUCTION

The following Guidelines have been drafted by the Council on Economic Priorities to assist companies in developing, adopting and implementing their own Corporate Action Plans with special focus on the problem of child labor. While strategies to end exploitative child labor vary by industry, country and company, CEP's Guidelines outline a general course of action and provide a common point of departure for all companies. We encourage companies to view our Guidelines as a mapping device for their progress rather than as a prescription. The Guidelines present a series of steps that can be carried out. Not every company, however, need take every step or follow the progression presented. Consider the following steps--adopting a code of conduct, disseminating and implementing it, monitoring the code, and undertaking partnerships--a benchmarking device that could be consulted to ensure that contractors and suppliers recognize and effectively address the child labor issue.

STEPS FOR ACTION:

1. Adopt a Code of Conduct.

A Code of Conduct can help a company carry out its mission in a socially responsible manner.

If your company has a Code of Conduct:

- 1) Be sure it includes a provision on child labor.
- 2) Be sure it defines who your company considers to be a "child".*

If your company does not have a Code of Conduct:

- 1) Consult with other companies, both within and outside of your industry, that have adopted codes of conduct. (CEP will gladly send you a packet of sample codes.)
- 2) Study these codes and identify key issues your code should address.
- 3) Draft a Code of Conduct. Be sure it includes a provision on child labor.
- 4) Involve key company staff in the creation of your Code. Circulate and discuss it internally.

*You may refer to the International Labour Organisation definitions or to the minimum age for completion of compulsory education in countries where you source, for minimum age definitions.

II. Disseminate and Implement your Code.

Once your company has a code of conduct, it is essential to communicate to all staff and to all business partners the content and meaning of your Code.

Explain and enlist support for your Code:

- 1) Meet with company employees in your corporate headquarters.
- 2) Create and maintain a list of all your contractors and suppliers in the developing world.
- 3) Meet with business partners, including contractors and suppliers.
- 4) Educate your business partners as to the value of the Code and the advantages of compliance.
- 5) Refer to your Code directly in the terms of your contracts with contractors and suppliers.
- 6) Ensure that workers employed by your business partners are aware of and understand the Code.
- 7) Translate the Code into local languages.
- 8) Use graphics to enable illiterate workers to understand the Code.
- 9) Post the Code in full view in all your factories.
- 10) Seek means for workers to register complaints (i.e., a toll-free telephone number, address, or suggestion box).

Work with contractors to implement your Code:

- 1) Offer to all contractors your company's substantive help for achieving compliance.
- 2) Set a schedule in achieving compliance in collaboration with your contractors.
- 3) Set your own internal dates for follow up 'spot' audits.
- 4) Notify all business partners of the implications of violating your code, from warnings to termination of contract in case of continued non-compliance.

III. Monitor your Code effectively.

A Code of Conduct is only as effective as its monitoring system. Whether your production is sourced from formal or informal producers, site visits are necessary. Visits establish dialogue, a valuable tool for implementing and monitoring codes.

Plan your site visits:

- 1) Focus first on suppliers operating in countries where child labor is endemic.
- 2) Focus next on factories and regions which source a high percentage of your imports.
- 3) Schedule both planned and 'surprise' visits, and observe the site in the evenings to be sure employees are permitted to leave. If dorm facilities are available, go to see them.
- 4) Prepare a checklist of "danger" signals that indicate the use of child labor or abusive conditions: dangerous machinery, overly heavy machinery, toxic substances, locked fire doors, exposed wires, excessive weekly working hours, physical, mental or sexual abuse, and harassment of workers.

Engage in 1st, 2nd and 3rd party monitoring:

- 1) Send corporate representatives, including officials from headquarters and local offices, buyers or quality control inspectors. (*1st party monitoring*)
- 2) Hire an auditing firm. (*2nd party monitoring*)
- 3) Invite independent monitoring organizations to assess the situation, including: local and international non-governmental organizations, religious groups or consumer groups. (*3rd party monitoring.*)

- 4) Continue sourcing on a regular basis from factories which will uphold your Code of Conduct.
- 5) If children are found working, collaborate with contractors and suppliers to protect children, hire adults instead, and work to promote development of the children.

IV. Protect children and promote their development.

Companies and contractors together can work with industry and development partners to protect children and fulfill their basic needs.

Take steps to protect children

- 1) Guard children against health and safety hazards immediately.
- 2) Avoid pre-emptory firing of children, as this places many in a worse position (i.e. hard labor, child prostitution).
- 3) Establish company procedures and guidelines to halt new hiring of children for work in exploitative conditions.

Take steps to promote child development:

- 1) Determine whether or not education is available, either public or private.
- 2) If available, encourage children to attend school and arrange a stipend to compensate for loss of family income.

- 3) If not available, enable the child to participate in full or part-time schooling combined with vocational training or an apprenticeship program at the factory.
- 4) Offer the child's job to an adult member of the family on the condition that the child remain in school.
- 5) Work with a range of partners – private non-governmental organizations (such as Save the Children or CARE), multilateral institutions (such as UNICEF or International Labour Organisation), national ministries, local non-governmental organizations, unions and industry associations – to address child labor in the context of community development efforts.

V. Promote Industry-wide action on child labor.

The problem of child labor should be addressed both by individual companies and through coordinated efforts among industry peers and business partners, working within and across industry lines.

Work with counterparts to:

- 1) Develop industry-wide sourcing guidelines and partner selection guidelines.
- 2) Establish an industry-wide monitoring system.
- 3) Support a database or registry on factory records for compliance with child labor laws and international standards.

These Guidelines were developed by Pia Sabharwal, Alice Tepper Marlin, Deborah Leipziger and Shaveen Hertel, staff of the Council on Economic Priorities, with the advice and consultation of key members of our Partnership for Responsible Global Sourcing group, an inter- and intra-industry forum convened regularly to address issues of responsible international sourcing.

Please send me more information on the following:
(please check all that apply)

☐ Membership, Partnership for Responsible Global Sourcing

☐ Membership, Council on Economic Priorities

☐ Human Rights Monthly Briefings

☐ Other Child Labor Information

Name: _____

Title: _____

Affiliation/Company: _____

Address: _____

City: _____

State: _____ Zip Codes: _____

Phone: _____ Fax: _____

E-mail: _____

To: Pia Sabharwal, CEP, 30 Irving Place, NY, NY
10003.

Tel: (212)-420-1133 Fax: (212)-420-0988

CEP MISSION STATEMENT

The Council on Economic Priorities is a public service research organization dedicated to accurate and impartial analysis of the social and environmental records of corporations. Our research is designed to enhance the incentives for superior corporate social and environmental performance and to encourage the transfer of cold war resources to a productive civilian economy. CEP information empowers consumers, investors, managers, employees and activists to cast their economic vote as conscientiously as their political vote.

Testimony for the Democratic Policy Committee

**Alice Tepper Marlin
Council on Economic Priorities**

April 29, 1996

Representative George Brown, esteemed Members of the House, thank you for this important opportunity to comment on the connection between corporate responsibility and consumer information and education programs.

The Council on Economic Priorities, which I serve as President, was founded in 1969 on the oft demonstrated premise that consumers and other stakeholders, empowered with reliable information, can exert a significant positive influence on corporate decision-making.

As the corporate response to CEP's annual guide, "Shopping for a Better World", demonstrates, companies will increasingly devote substantial efforts to addressing social and environmental concerns, if consumers call for it.

Four out of five of shopping guide readers we polled responded that they have actually switched brands on the basis of the company's social ratings. They are turning their shopping carts into vehicles for social change. Nearly a million consumers have bought the book.

And companies listen. For every consumer who bothers to write a company, management's rule of thumb is that 200-500 more feel the same way -- and will vote silently at the cash register.

When, using objective measures, we compare the average social and environmental responsibility ratings for companies in "Shopping for a Better World" with the companies in our larger SCREEN database, companies exposed to informed consumer scrutiny outperformed the others in every one of our eight issue categories (see attachment).

The views of kids count heavily. Not only do children ages 11-19 spend some \$90 billion dollars a year, the vast majority of it on consumer goods, but 34% of parents surveyed said they shop differently because of what they learned from their children. Iqbal Masih and Craig Keilburger's stories illustrate just how much young people can teach us about the direct connection between our choices and market forces.

Retail firms will not hesitate to testify to the central importance of retaining the value of their brand names. In fact, business school theory now maintains that a company's most important asset, the one that has to be most carefully managed, is its corporate reputation. Reputation is now believed to count for a third of the company's share price, [according to Professor Tom Gladwyn of New York University's Stern School of Business].

Now European and U.S. companies are being asked by consumers to exhibit good corporate social responsibility in the developing world.

As the speed of transportation and communication rises, the cost falls, and literacy rates around the world dramatically improved, we've achieved more efficiency, new job opportunities, lowered costs, and accelerated growth in a number of locations.

But the position of the poorest nations has eroded and the middle class in much of the

industrialized world sees their standard of living diminishing and job security becoming illusory.

In this business environment, where production virtually anywhere in the world is practical and often financially advantageous, the effects on the lives of workers and the environment are dramatic and distressing.

Armies of defenseless children in developing countries are hired to manufacture shoes, garments, and toys, cut gems and weave rugs for export. These young people typically work long shifts for low wages under abysmal conditions.

Competitive pressures in and from the industrialized countries induce local companies to compete to pay the lowest wages at the cheapest workplaces.

The most responsible companies are implementing codes of conduct that restrict factory jobs to adults, assure simple workplace safety -- like insulated wires and fire doors that open -- and provide decent wages.

Levi Strauss, the world's largest clothing company, has led the way for the business community. It is the first major company to implement a code of conduct holding its contractors worldwide to contractual minimum standards and to institute annual audits for its contractors. In the first year, 30% of Levi Strauss contractor factories in the developing world were found out of compliance. Most agreed to implement changes and comply. The 5% who failed to make that commitment lost all their Levi Strauss business.

Other companies are following suit.

The head of Reebok's human rights program has noted that if the instep falls out of a Reebok sneaker, Reebok can't tell the customer it's not responsible because some factory abroad, owned, and managed by East Asians or Latin Americans, made it. Instead, Reebok of course takes responsibility. Quality control inspectors trace the chain of production back far enough to identify the weak link -- and address the problem. She has argued that companies must be just as responsible about the environment and working conditions in those factories; companies must trace the chain back to identify and end abuses of worker rights, the environment and labor standards.

A company's code of conduct should hold contractors world wide to minimum labor and environmental standards -- lest we all become tangled in the web of downward spiralling wages and labor conditions and suffer the boomerang effect of industrial pollution and environmental degradation. That's a tall order. Companies need our encouragement, information and incentives.

THE SOLUTIONS

CEP thus calls on the Congress of the United States to support:

I. Targeted procurement policies to assist American companies in that have codes, write them into contracts, and monitor them regularly and thoroughly, procuring business from multilateral institutions (like the World Bank, the ILO and UNICEF) and from the US government;

Procurement standards and preferences would serve as incentives for companies to observe fair labor and sound environmental practices abroad as well as at home.

ACTION: CEP has circulated language to the US Delegation for the forthcoming UN Conference on Human Settlements (HABITAT II), calling on the UN to develop procurement guidelines. UNICEF has met the challenge on procurement; other parts of the UN, the Bank and Fund should too. We urge you to support this important language.

The influence of our country in helping to end apartheid in South Africa was felt largely in economic terms: powerful leverage came from Government procurement incentives, as states refused to use taxpayer dollars to buy products and services produced under oppressive conditions.

ACTION: Beginning with the US Department of Labor (DOL) and the General Services Administration (GSA), our Government should adopt Federal agency procurement guidelines similar to those implemented by UNICEF and those CEP has suggested to the UN. In the process, we can create preferences for companies with codes of conduct and credible monitoring systems.

We request your support for:

II. A proposed Department of Commerce Information Clearinghouse on corporate social responsibility

Members of the Progressive Caucus, among others, have advocated the creation of a clearinghouse which would enable the Department of Commerce to:

- 1) collect and disseminate specific, comparable information on corporate ethical practices;
- 2) offer information and referrals to organizations that provide evaluations of corporate social responsibility, such as the Interfaith Center for Corporate Responsibility (ICCR), Business Enterprise Trust, the Council on Economic Priorities, Social Investment Forum and CERES, all of which have pioneered in the field of corporate social responsibility research;
- 3) increase awareness of publications in the field, such as Business Ethics, Business & Society Review, CEP's Research Reports, Franklin Management's Insight, and Business and the Environment;
- 4) notify companies about training workshops, seminars, and services aimed at teaching the nuts-and-bolts of how to draft, monitor and effectively implement a corporate code of conduct;
- 5) publish guidelines on codes, monitoring and partnership, along with a collection of codes of conduct;
- 6) explore (through the Commerce Department's Commercial Service Offices worldwide) the feasibility of establishing a registry of approved suppliers which uphold basic child labor, health, safety and environmental standards; in the same vein, CEP -- in our recommendations for the UN HABITAT Conference -- has called on the UN to develop a roster of socially responsible

companies at the global level;

ACTION: A Department of Commerce Clearinghouse on Corporate Social Responsibility is long overdue. Advocate its creation in the interest of greater corporate and consumer awareness of codes of conduct – and to ensure more effective monitoring.

We also request that Congress consider giving:

III. Preference in US trade missions to American companies with actively monitored codes of conduct.

CEP and other organizations have researched which companies have codes of conduct and how effectively those codes are implemented. On the hot button issue of child labor, we have produced step-by-step Guidelines for Action to engage companies in effectively implementing those codes abroad.

I have brought with me CEP's Guidelines for Corporate Action on Child Labor, and respectfully submit them on the record for consideration as an annex to my testimony.

ACTION: CEP urges the Secretary of Commerce, members of Congress, and other Government officials who may be involved in leading US trade missions to make sure that companies consider codes and guidelines such as these "required reading." Especially if business leaders are exploring investment and export opportunities in countries where child labor is endemic, CEP's Guidelines should be part of any pre-mission briefing.

We call on Congress to support:

IV. Department of Labor's Clearing House on Socially Responsible Investment

This self-supporting, fee-based facility (established in 1994 by the Assistant Secretary of the Pension and Welfare Benefits Administration) provides information on double-bottom-line portfolio investment opportunities.

The DOL Clearing House is the target of an aggressive Republican effort to bulldoze economically targeted investments – part of the "Pension Protection Act of 1995," introduced on the House Side by Rep. Jim Saxton and already approved by the House Committee on Economic and Educational Opportunities.

ACTION: help stop the Pension Protection Act's progression in the House, and its passage in the Senate, where Rep. Saxton is working with Rep. Connie Mack to pass it.

And we call for support of:

V. Tax incentives for companies which invest in better trained, healthier, and more economically secure workers – at home and abroad – and which safeguard the natural environment

I want to qualify this recommendation very carefully. Aware that there are a number of related

proposals circulating on this issue on both sides of the aisle, let me stress that CEP is not advocating corporate tax giveaways.

We believe that conditioning taxes on good corporate practice is complex. A very clearly defined set of criteria should be established to determine who qualifies for tax breaks. For example, companies could qualify by paying for health insurance for all employees; making pensions fully vested and portable within a defined number of years; or setting a policy that US environmental regulations will be observed worldwide, except where local standards are stricter.

The implementation of any tax incentive policy must be fully transparent, so that any company can easily understand just what it takes to qualify. Ultimately, the Federal Government (i.e., the IRS) would have to monitor any such policy very carefully, and companies would need to see it as in their interest to fully disclose their activities.

What we don't want are more loopholes, which only lawyers and the wildest of accountants can understand. What we do want are incentives which reward those firms that recognize the rights, responsibilities and shared interests of all stakeholders.

These are but a few of the modest initiatives on which the Congress of the United States can take action. We at CEP are willing and able, with our colleagues in the nongovernmental and business communities, to suggest many more. We welcome continued dialogue with members of this distinguished body. Thank you.

Company Name _____
 Contact Person (Name, Title) _____
 Phone/Fax () _____ / _____ Date _____

I. COMMUNITY INVOLVEMENT

1. Please provide the following data on worldwide charitable gifts for 1995.

- a. Cash gifts (inc. direct and foundation giving)
 b. Value of in-kind giving (products and services)

\$ _____
 \$ _____

2. Does your company's employee volunteer program include the following?

- a. Loaned executives
 b. Work release for other employees
 c. Grants to organizations at which employees volunteer
 d. Job banks/listing of volunteer opportunities
 e. Involvement of retired employees
 f. Other: _____

Yes	No	Some locations	Estimated # people involved
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

3. Please describe below or attach descriptions of any programs established by your company assisting local schools or promoting affordable housing, job training or community development:

II. EQUAL EMPLOYMENT OPPORTUNITY

1. Please provide information about the gender composition of your work force:

- a. Corporate Officers
 b. Board of Directors

Total	Women
_____	_____
_____	_____

2. How many employees in the levels of management indicated below belong to the following minority groups?

	Black Male	Black Female	Hispanic Male	Hispanic Female	Asian Male	Asian Female	Native American Male	Native American Female
a. Corporate Officers	_____	_____	_____	_____	_____	_____	_____	_____
b. Boards of Directors	_____	_____	_____	_____	_____	_____	_____	_____

3. Of your 25 highest paid employees:

- a. how many are women?
 b. how many are members of minority groups?

4. How many employees are there in the Officials and Managers category as defined by the EEOC?

- a. Total?
 b. Women?
 c. Minorities?

Is your company:

- a. have special programs for purchasing from minority- and women-owned businesses?
 b. have special programs for banking with minority-owned banks?
 c. have a written policy banning discrimination based on sexual orientation?
 d. provide diversity awareness training

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

6. Does your company have any of the following special programs to help recruit, retain and promote qualified women and minorities to upper management? (Check all that apply.)

- a. Recruitment programs
- b. Assessment of progress toward affirmative action goals in management job reviews
- c. Mentoring
- d. Support networks
- e. Apprenticeship programs
- f. Special consideration for management training
- g. Other _____

For Minorities	For Women
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

III. WORKPLACE ISSUES

1. What percentage of the medical insurance premium is paid by the company?

Family Coverage	Individual Coverage
_____ %	_____ %

2. What percentage of your company's domestic labor force is unionized?

_____ %

3. Which unions are represented, and what percentage of the unionized work force does each represent?

Name of Union	% of unionized work force
a. _____	_____
b. _____	_____
c. _____	_____

4. Are there grievance procedures for workers not covered by union contracts?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

Yes, please enclose a description of the procedures, as it is provided to your employees.

5. In the last five years, has the company:

- a. been cited for violations of state or national OSHA regulations?
- b. introduced any new worker safety programs?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

6. If yes to either of the above please describe below.

7. Does your company offer any of the following benefits to its employees? (Check all that apply.)

- a. Profit sharing
- b. Employee stock ownership plan (ESOP)
- c. Employee stock purchase plan
- d. Suggestion program with financial or other incentives
- e. Tuition reimbursement for work-related courses
- f. In-house training for:
 - 1. Career enhancement
 - 2. Literacy
 - 3. Skills building
- g. Fitness/Wellness programs
- h. Employee assistance program
- i. Other: _____

--All Employees--		--Headquarters--		Management
Hourly	Salaried	Hourly	Salaried	Only
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

8. Please provide a description of your company's benefits package, if available.

IV. FAMILY BENEFITS

Does your company provide parental leave equal to that specified in the Family & Medical Leave Act.

Yes, company-wide	some locations	No
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. Please describe any family leave policies offered beyond those specified in the Family & Medical Leave Act.

3. Does your company offer:

a. Any of the following types of flexible work arrangements?

1. Part-time return to work after parental leave
2. Job sharing
3. Flextime
4. Work-at-home arrangements
5. Other _____

Yes, company-wide	some locations	No
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

b. Any of the following options for dependent care?

1. Dependent care as an option in flexible spending accounts
2. On-site or near-site day care
3. Child care
 - a. Resource and referral services
 - b. Child care subsidy over & above any salary adjustment
 - c. Company assistance to community child care centers
 - d. Company sponsored family/home day care
 - e. Participation in community recruitment of family day care
 - f. Adoption expense reimbursement
4. Elder care
 - a. Counseling and referral
 - b. Direct subsidy of elder service
5. Care of disabled dependents
 - a. Counseling and referral
 - b. Subsidy for care of children with disabilities
 - c. Subsidy for care of other disabled dependents

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

c. Any of the following opportunities for education and information to employees?

1. Work/Family seminars on-site regarding child care issues
2. Work/Family seminars on-site regarding elder care issues
3. Company-sponsored caregiver fairs
4. Distribution of educational materials
5. Handbook on company's work-family policies

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

d. Please list any other family-related benefits programs offered at your company.

Please provide a copy of any written material your company distributes to employees regarding family-related benefits offered, if available.

1. ENVIRONMENT

1. Please provide the name and title of the senior corporate official on environmental matters: _____

2. To whom does the senior environmental official report? _____

3. Does the board of directors include a designated environmental director or committee? If so, please provide the name: _____

4. Do you have a written environmental policy? (If yes, please attach) _____

Yes No
☐ ☐

5. Do you have an environmental procedures manual? (If yes, please attach) _____

☐ ☐

6. Do you have an environmental progress report available to the public? (If yes, please attach) _____

☐ ☐

7. How often is your progress report updated? ☐ Annually ☐ Biennially ☐ Other: _____

8. Do you require that suppliers follow company environmental guidelines as a contract condition? _____

☐ ☐

9. Does your company have an environmental audit program? _____

☐ ☐

If yes, does your company use external auditors? ☐ Exclusively ☐ Never ☐ Partially

10. The company conducts comprehensive environmental audits of: _____ % of US facilities
_____ % of International facilities

How often are these facilities audited? ☐ Annually ☐ Biennially ☐ Other: _____

11. Please identify any private environmental initiatives in which your company participates (GEMI, CERES, etc.) _____

12. Please describe any mechanisms that exist at your plants that permit concerned citizens to get involved in health, safety, and environmental issues. _____

13. Do any of your facilities have Community Advisory Panels (CAPS)? ☐ All ☐ None ☐ Other: _____ percent

14. Do you make environmental audit information available to the public? ☐ All ☐ None ☐ Part

Toxic Releases

15. Is your company a participant in EPA's 33/50 program? _____

Yes No
☐ ☐

Reductions achieved by 1995? _____ percent

16. Please describe any company programs to reduce toxic releases. _____

17. What total toxic release reductions has the company achieved from 1991 to 1995? _____ percent

18. Please describe any goals for further reductions in toxic releases. _____

Waste Management

Please describe any programs your company has to reduce the amount of hazardous waste generated.

21. What total reductions has the company achieved in hazardous waste generation from 1991-1995? _____ percent

22. If any of your company's RCRA hazardous waste since 1991 was treated, incinerated or otherwise disposed of offsite, did your company monitor the environmental practices of its hazardous waste vendors? Yes No
☐ ☐

23. Is your company a participant in EPA's WasteWise program? ☐ ☐

24. Please describe any programs your company has to reduce the amount of solid waste generated.

Energy Usage

25. Is your company a participant in EPA's Green Lights program?

Yes No
☐ ☐

26. Please describe any company-wide programs for energy conservation.

27. What reductions in total energy consumption has your company made from 1991 to 1995? _____ percent

Please describe any future goals your company has set for energy conservation.

Product Stewardship

29. Please describe measures taken to reduce the environmental impact of company products (e.g. to improve energy efficiency or recyclability):

Environmental Data

30. Please fill out the following table listing wastes reported under RCRA by your company (in millions of pounds):

1991 _____ 1992 _____ 1993 _____ 1994 _____ 1995 _____

Please explain reasons for changes, i.e. pollution prevention, increased production, etc.

31. Please identify and describe any violations for which you were cited by the EPA or any state environmental agencies within the last 5 years. Include facility names and locations:

365	Facility	Location	Agency/Violation	Penalty Proposed	Penalty Paid

VI. INTERNATIONAL OPERATIONS

Please attach a list of all countries in which your company owns and operates manufacturing facilities, sources production and/or provides commercial services in excess of \$1 million.

Environment

2. Which best describes your company's policies for international operations?

- ☐ We follow U.S. environmental regulations in the U.S. and local regulations abroad.
☐ We follow U.S. regulations in the U.S. and abroad, unless local regulations are stricter, in which case we follow those local regulations.
☐ Other: _____

Yes No
☐ ☐

3. Does your company monitor SARA Title III emissions in non-U.S. operations?

Yes No
☐ ☐

Employees

4. Does your company maintain worldwide occupational health and safety standards requiring protection equivalent to U.S. standards?

Yes No
☐ ☐

5. Does your company maintain minimum age standards for employees?

If yes, are they based on ☐ National labor law ☐ International labor standards

Yes No
☐ ☐

Contractors/Suppliers

6. Has your company adopted sourcing guidelines or a code of conduct for suppliers?

Yes No
☐ ☐

If yes, do your sourcing guidelines or code of conduct address the following:

Health and safety standards?

Yes No
☐ ☐

Use of child labor?

☐ ☐

Use of forced or bonded labor?

☐ ☐

Minimum wage?

☐ ☐

Environmental protection?

Yes No
☐ ☐

Other _____

7. Is your code available in multiple languages?

Please attach a copy of your sourcing guidelines or code of conduct.

8. Does your company monitor the implementation of the above guidelines or code?

Yes No
☐ ☐

If yes, at what intervals? ☐ Quarterly ☐ Biannually ☐ Annually

9. Do you have a standard list of questions used in your auditing/monitoring process?

Yes No
☐ ☐

Please attach a copy, or additional comments.

Please return the completed questionnaire by July 5, 1996 to:

COUNCIL ON ECONOMIC PRIORITIES
Attn: Steve Dyott
30 Irving Place
New York, New York 10003

Questions? Please call Steve Dyott at (212) 420-1133.
Note: You can also FAX your responses to (212) 420-0988.

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**Before the U.S. Department of Labor
Bureau of International Labor Affairs**

**STATEMENT OF THE
HONDURAS APPAREL MANUFACTURERS
ASSOCIATION
(ASOCIACIÓN HONDUREÑA DE MAQUILADORES)
ON INTERNATIONAL CHILD LABOR PRACTICES**

July 5, 1996

**Honduras Apparel Manufacturers Association
San Pedro Sula, Honduras, C.A.**

**Before the U.S. Department of Labor
Bureau of International Labor Affairs**

**STATEMENT OF
THE HONDURAS APPAREL MANUFACTURERS ASSOCIATION
(ASOCIACIÓN HONDUREÑA DE MAQUILADORES)
ON INTERNATIONAL CHILD LABOR PRACTICES**

July 5, 1996

Introduction

The Honduras Apparel Manufacturers Association "Asociación Hondureña de Maquiladores" ("the Association" or "AHM") welcomes the opportunity to submit this statement to the U.S. Department of Labor in response to the Federal Register notice soliciting comments on international child labor practices (61 Fed. Reg. 25898, May 23, 1996). As explained below, AHM works closely with the Government of Honduras and Honduran workers to ensure that our members comply with Honduran labor laws and regulations, and moreover, that internationally recognized standards are met, particularly those relating to child labor practices. AHM believes that our system is effective and responsive and provides a flexible framework in which the needs of employers and employees can be addressed.

Background

1. Asociación Hondureña de Maquiladores. AHM is a trade association representing all of the companies in Honduras that assemble garments for export. Membership in the Association is mandatory, and in addition to serving its membership, the Association is charged by the Honduran Government with compiling trade statistics.

The Association was founded in 1991 and currently has 180 member companies, 161 of which are engaged in assembling garments for export. The remainder are involved in providing services to

the members, such as shipping lines and industrial zone operators.

2. The Garment Assembly Industry. The Honduran garment assembly industry is eight years old, with 95% of the plants having been built since 1989. Technically, the industry has been around for more than seventy years, but it did not begin to flourish until, at the urging of the private sector, the Honduran Congress passed the Export Processing Zone law in 1987. This legislation offered foreign investors a number of attractive incentives to establish operations in Honduras' industrial parks, including exemptions from local, sales, and export taxes.

Prior to 1987 free trade zones could operate only under government control. After passage of the legislation, export processing zones can be built anywhere in the country. Honduras' Congress has authorized the construction of twenty-nine industrial parks and fourteen have been completed, with the vast majority of activity taking place along the North Coast in the San Pedro Sula area.

Honduras has the fastest growing apparel export industry in Central America. In addition to the incentives under the Export Processing Zone law, exporters benefit from Honduras' participation in the Caribbean Basin Initiative ("CBI"). Although textiles are ineligible for duty-free treatment under CBI, Honduran industries enjoy such benefits as Guaranteed Access Level ("GALs") for garments assembled in Honduras from U.S.-origin fabric exported to Honduras in cut-to-be-sewn condition. Duty is paid only on the "value added" in Honduras. Garments assembled from non-U.S.-origin fabric are also subject to the payment of duties only on the "value added" in Honduras under TSUS item 807 (now redesignated as HTS subheading 9802.00.80); these garments do not have the benefits of GALs, but are subject to normal textile and apparel quotas.

The 161 companies in the apparel industry in Honduras currently employ approximately 74,000 workers. Out of the 161 companies, 38% are owned and operated by U.S. firms and 99% of their production is exported to the United States. The value of these exports was US\$921 million in 1995, which represented 11% of Honduras' foreign exchange earnings.

In addition to the 74,000 workers directly employed at the plants and their 333,000 dependents, 560,000 more Hondurans also benefit from the indirect jobs and services provided by the apparel industry. Thus 17.6% of the total population of Honduras depends directly or indirectly on the apparel industry. This is extraordinary in a country where the unemployment rate is 34%.

In 1995 the apparel industry contributed US\$200 million to the economy of Honduras, more than half of which was in salaries, and the rest in local purchases, payments to ENNE (the national electric company), ENP (the port facilities), HONDUTEL (the national telephone company) and others.

3. Trade and Investment. The United States is Honduras' chief trading partner, supplying about 40% of the country's imports and purchasing 50% of its exports. According to recent U.S. Department of Commerce statistics, Honduran exports to the United States were US\$1.4 billion in 1995, and Honduras' merchandise imports from the United States were US\$1.3 billion. In addition to trade, the United States accounts for about 70% of foreign direct investment in Honduras. In 1994, such investment was about US\$200 million, largely concentrated in manufacturing, finance, and banking.

Working Conditions in the Assembly Plants

1. Labor Code. Honduras has one of the most advanced Labor Codes in Latin America. The legal, social, and economic benefits of this law have ensured social stability in Honduras in spite of the fact that the rest of Central America has suffered much political and social unrest.

The Labor Code provides workers with guarantees such as protection against unjustified dismissal, regulated working schedules, paid vacations, overtime pay, health and safety protections, severance pay (workers receive one month for every year worked), workers' compensation, the right to organize and collective bargaining rights, and a 100-day paid pregnancy leave with a guarantee of returning to the same job.

2. Work Force. The average age of workers in the garment industry is twenty years. Approximately 75% of the machine operators are women. Less than 0.5% of the work force are minors between fourteen and sixteen years of age who have been legally authorized to work.

3. Wages/Hours. The minimum wage in Honduras is US\$0.31/hour at the current exchange rate of 11.6217 lempira/USD. In the apparel industry the official minimum wage is US\$0.42/hour, which is the highest minimum wage paid in the country. Under Honduran law, employees work forty-four hours per week, but are actually paid for fifty-six hours. However, the average wage in the apparel industry is US\$0.86/hour, not including benefits. This is more than twice the minimum wage for the industry. Moreover,

workers also get fourteen months' pay per year, while actually working for twelve months. If they work overtime, workers are paid according to the following scale:

from 5:00 p.m. to 7:00 p.m.:	25% surcharge
from 7:00 p.m. to 9:00 p.m.:	50% surcharge
from 9:00 p.m. to 6:00 a.m.:	75% surcharge
Sundays and holidays:	100% surcharge

4. Benefits. Under Honduran law workers enjoy eleven holidays and from ten to twenty vacation days, based on how long they have worked for a company. These vacation days are:

first year:	10 working days
second year:	12 working days
third year:	15 working days
fourth year and thereafter:	20 working days

Workers also enjoy a number of fringe benefits paid for by their employers. Some of these are mandatory throughout the industry, such as mandatory free dinners for all workers who work after 5:00 p.m., and other benefits vary from plant to plant. Many companies provide subsidized lunches, free dinners and transportation for workers who work overtime or live far away from the plant, health care, and as a new incentive, some are providing modern daycare facilities. Virtually every plant has either a medical clinic, a nurse, or a doctor available for consultation. Both the consultation and prescribed medicines are free to all workers, and in many plants, free healthcare is provided for workers' children up to age eight. All in all, these benefits can represent an additional 30-40% of salary, depending upon each company.

5. Unionization. Under the Constitution and the Labor Code, workers have complete freedom of association. There are three major union confederations (centrales) in Honduras, along with federations and local unions. Roughly 15% of the labor force is unionized. There are thirty-three unionized companies in the apparel industry, meaning 20.5% of the apparel exporting companies are unionized. Under Honduran law, thirty workers can associate and form a union. When the union is registered with the Ministry of Labor, it can bargain collectively for the entire work force at the plant, no matter how large. There is no requirement for the union to achieve a majority of the work force as members, unlike the United States.

6. Job Satisfaction. Worker satisfaction is very high in the apparel industry. Most of the plants are modern, comfortable, and well-equipped with ergonomic machinery. Air

conditioning and clean, well-lighted spaces are the norm. The industry provides workers with vocational education and training and thereby creates a career path.

The garment industry is the largest employer in the country. It has the best working conditions in the industrial sector, and has the largest payroll. Apparel workers, to reiterate, are the highest paid in the country. For these reasons, the annual turnover rate is very low and employees work for the same employer for about four years, on average.

7. Laws Governing Working Minors. In Honduras education is mandatory only through grade six or age thirteen. The Labor Code permits minors of fourteen and fifteen years of age to work up to a maximum of 36 hours per week if they have the written permission of their parents or legal guardian and the Ministry of Labor. They are also required to attend school. Minors aged sixteen and seventeen only need a permit from the Ministry of Labor. At that age, they do not need parental permission.

[NOTE: Honduran law goes a step further than the 1973 ILO Minimum Age Convention which allows minors fourteen years old to work. Honduras requires the written permissions described above.]

In a preliminary investigation recently made by the Ministry of Labor into working conditions at thirty-three garment assembly plants, only fifty-five of 16,626 workers were found to be under sixteen years of age. The minor workers, aged fourteen and fifteen, represent 0.3% of the total work force at those plants, and it is to be noted that all of them had proper permits to work. To AHM's knowledge, there are no minors under age fourteen working in Honduran assembly plants. Of course, there may be cases where falsified documents were presented to obtain employment.

In this connection, it is important to recognize that 54% of the population of Honduras is under twenty years of age. This is why there are so many young people, not only in the apparel sector, but also in all types of economic activities in the country.

Under newly-passed legislation, the Code on Children and Teenagers (Codigo de la Niñez y Adolescencia) which will take effect in September 1996 to coincide with the International Day of the Child, minors will not be allowed to work more than twenty hours per week if they are fourteen or fifteen, and not more than thirty-six hours per week if they are sixteen or seventeen years old. The new legislation also establishes a daily maximum of four hours per day of "light" work for minors aged fourteen and fifteen, and six hours of work per day for minors aged between

sixteen and eighteen. Night work is also prohibited, but work is allowed until 8:00 p.m., as long as there is no adverse impact on the childrens' studies.

The new legislation also establishes civil and criminal penalties, including stiff fines, as sanctions.

Enforcement Mechanisms

1. Ministry of Labor. The Ministry of Labor has the principal responsibility for administering the Labor Code which applies to all companies operating in Honduras, both foreign and domestic. As expected, the Ministry of Labor employs a number of inspectors to solve problems and carry out inspections.

The Labor inspectors oversee assembly plants located in free zones, industrial parks, and throughout the country. There are fifteen inspectors detailed to the North Coast area where almost all of the assembly facilities are located. Seven inspectors are permanently assigned to the assembly plants.

According to Ministry records, twenty-seven complaints were received from January through May 1996, and nineteen were resolved successfully. Most of the complaints relate to disputes over payment for overtime, maternity benefits, or alleged illtreatment of workers. The paucity of complaints (twenty-seven complaints from 74,000 workers) testifies to the good labor/management relations in the garment assembly industry, and particularly to the adherence to Honduras' progressive Labor Code.

Nevertheless, it is accurate to say that there have been some enforcement problems in the past. In June 1995 the AFL-CIO complained to USTR that worker rights were being denied by violations of collective bargaining rights and lax enforcement of laws and regulations relating to such issues as wages, hours, minimum age, protection of women, and other health and safety conditions. During a November 1995 fact-finding trip headed by Assistant U.S. Trade Representative Jon Rosenbaum, a Memorandum of Understanding was signed in which Honduras' Minister of Labor made a commitment to strengthen enforcement and supervision in the industrial parks.

However, whenever the Ministry of Labor uncovers violations of Honduran laws, it takes legally-appropriate action. For example, since 1992 nine foreign investors have been expelled from the country for violations of workers' or minors' rights.

2. Bipartite/Tripartite Committees. In order to complement his Ministry's activities, the Minister of Labor has formed two committees to help resolve problems in the apparel industry. The Bipartite Committee is composed of representatives of employers and workers; the Tripartite Committee includes representatives from the Ministry of Labor. Up to this time the Bipartite Committee has been engaged in policy development, and in particular, has focused on new paradigms for the country's apparel industry.

The Tripartite Committee addresses macro issues such as revisions to the Labor Code, new legislation like the Code on Children and Teenagers, and other issues where it is necessary or appropriate for the Government to participate. Also, the Tripartite Committee is intended to solve any problems that the Bipartite Committee cannot resolve.

Although neither Committee has been called upon to resolve difficult problems, their very existence has been beneficial. Good working relationships have developed among all participants and confidence has been built that an effective system exists to resolve grievances fairly, equitably, and according to law.

3. AHM's Own Standards. AHM's philosophy is to attract the highest quality businesses into assembly plant operations in the country. Moreover, AHM strongly believes that one of the country's most valuable assets is its well-trained and energetic work force. Because of the importance of this work force in attracting foreign investment, AHM maintains very high standards for its membership.

It goes without saying that AHM both expects and requires its member companies to respect Honduran labor laws and regulations. All AHM members must be aware of the provisions of the Labor Code, the Code on Children and Teenagers, and all other laws governing garment assembly operations. All members must have a trained personnel manager, and must maintain good relations with the workers.

In addition to overseeing these mandatory requirements, AHM exercises a leadership role. It encourages and assists member companies in improving relations with workers. For example, AHM has sponsored a series of seminars for personnel managers to enhance their abilities to work with machine operators, supervisors, and others involved in the administration of plant operations. It also runs an on-going project to educate new member companies by distributing copies of the Labor Code in various foreign languages, such as Korean, Mandarin, and of course, English.

AHM is also working on developing an Ethics Code to be applied to all members. AHM is currently examining a number of codes applied internationally and domestically and will choose the best features of these for its own Code. After the work is complete, AHM intends to make the Ethics Code legally binding on all its members by obtaining Government sanction. Furthermore, AHM has recently formed a Mediation Committee to investigate any grievances advanced by workers.

Comments on Codes of Conduct

A good number of the 161 AHM members engaged in assembling garments for export work in accordance with Codes of Conduct/Guidelines/Terms of Engagement ("Codes") that have been drawn up by the U.S. and foreign companies which purchase goods and services from the companies located in Honduras.

1. General Structure of Codes. Codes set a number of standards that must be met by companies that wish to do business with the U.S. or foreign companies promulgating the Codes. In general, Codes address such areas as ethical standards, legal requirements, environmental requirements, community involvement, and employment standards, including wages and benefits, work hours, minimum age, prison or forced labor, workplace health and safety, discrimination and disciplinary practices.

Normal business matters, such as pricing, deliveries, and quality control, are usually excluded from coverage in Codes of Conduct. Also, it should be pointed out that Codes of Conduct are usually used by companies that engage contractors in foreign countries to provide them with specific goods and services. Where the companies are related to each other, such as parent-subsidiary or brother-sister, normal business policies and internal standard operating procedures are generally used in lieu of separate Codes of Conduct, or incorporate the substantive provisions of the Codes.

The companies that promulgate the Codes of Conduct enforce them through inspections and audits. Unannounced inspections twice a year are not uncommon. If substantial deficiencies are found, a company is given a short period of time, e.g. 30 days, to remedy defects before a reinspection takes place.

If the problem is not solved to the satisfaction of the company promulgating the Code of Conduct, it may sever its business relationship with the contractor. This is obviously a drastic sanction because of the size and prestige of the typical company which promulgates a Code of Conduct for its contractors. To avoid such disruptions to business relationships, a large

number of U.S. companies take a proactive approach in Honduras by sponsoring educational seminars for the middle management officials of their Honduran contractors. These educational efforts on Code compliance have had a salutary effect.

2. Application to Honduran Garment Assembly Industry.

Garment assembly plants in Honduras operate in three basic configurations or structures. In order to assess where Codes of Conduct can be useful in improving working conditions and enhancing worker rights (and eliminating child labor), it is necessary to examine each of the three examples set out below. Each one focuses on how control is exercised over the working conditions under which garments are assembled.

A. Example One. This is the case of a wholly-owned subsidiary of a foreign, usually U.S., company which both manufactures and markets its products. In most of these assembly plants, especially the larger ones, a published Code of Conduct is incorporated into the companies' operating policies and procedures. In all of these companies, the plant manager is given the authority to guarantee compliance with internal policies regarding the conditions which affect the health and safety of the workers under his responsibility. At the very least, this policy is to obey the laws of the country in which the subsidiary is located. At the very best, it is to meet the standards of the company's country-of-origin. In doing so, the manager upholds the image of a company which is ultimately responsible to its shareholders to preserve its international reputation.

This responsibility to maintain and manage a stable business climate through providing acceptable working conditions creates an implied pressure on the manager to be an accountable employee, not a dictator. The standards for the manager's promotion and advancement are tied to the achievement of predetermined goals set by the company, all of which cannot be achieved without good employee relations. In brief, compromising good relations with employees and disobeying the local laws puts the plant manager's job at risk, so there is motivation for him to treat employees properly.

2. Example Two. This is case of a foreign-owned company which operates in Honduras under a contract to a retailer or manufacturer at all or various stages, and assembles garments but does not market them. Many of the larger companies of this type operate in much the same way as the wholly-owned subsidiary and have their internal policies and their own accountable managers. The smaller the contractor or the greater the number of additional subcontractor companies being used to complete a

contractor's work, the fewer the resources which can be dedicated to controlling and being responsible for working conditions or for product quality, fulfilling production schedules and any other requirement which must be met, either legal, business, or aspirational.

3. Example Three. This is the case of the domestic-owned garment assembly company. In almost every case it operates under contract to retailers to manufacture, but not sell the assembled garments. The same characteristics apply here as operate in the second example above, i.e., the larger the company, the more direct resources can be dedicated to ensuring that working conditions are above the level of the expected and that the laws are obeyed. The smaller the company, the fewer the resources which are available to be allocated to these matters.

The Retailers' Codes of Conduct which has been established since Levi Strauss and Company began the practice in 1994 and which are in effect in many businesses engaged in contract manufacturing in Honduras are excellent examples of what is being done to compensate for the lack of direct control by retailers in both the second and third types of situations. By outlining the specific violations of the law, defining what constitutes substandard treatment of workers, making such activities conditions for suspension and eventual permanent termination of contracts, there is a direct link between compliance and the survival of the company.

Since the introduction of these Codes of Conduct, more retailers and/or contractors have taken the extra steps described in these Codes and, as a condition of their contracts, do not permit practices which lessen the control the company has over the working conditions prevailing where their product is made, (such as allowing further subcontracting without prior approval).

The strength and frequency of the inspection and audit process that is a feature of these relatively new Codes of Conduct will determine the success and ability of the parent company to ensure compliance. Inspecting and auditing are also the primary means of providing compensatory education and training to the resource-limited small contractor or subcontractor, thereby preventing previously-unforseen problems such as worker rights complaints.

In the end, the effectiveness of its inspection and audit process to expose violations and the need to enforce its Code of Conduct strongly and consistently links the retailer, its image, and its destiny directly to ensuring a higher standard of conditions under which its products are made.

Conclusion

Honduras, like the United States, has adopted ILO principles as its own to safeguard the rights of workers. The Honduras Apparel Manufacturers Association works closely with the Government and Honduran workers to ensure that workers are aware of their rights and that a range of mechanisms are in place and function effectively to guarantee that workers' rights, and especially protections for children, are respected in practice as well as in law. As a result, a new Code on Children and Teenagers will take effect in September, affording even more protection to working minors. Further, the Association is working vigorously and successfully to promote the use of Codes of Conduct and to develop its own binding Ethics Code.

All of these efforts are intended to create a positive balance in employer/employee relations so that Honduras will continue to be an attractive site for investment and, at the same time, recognized as a country where all its workers are well-treated and where worker rights are secured.

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HUMAN RIGHTS WATCH/ASIA

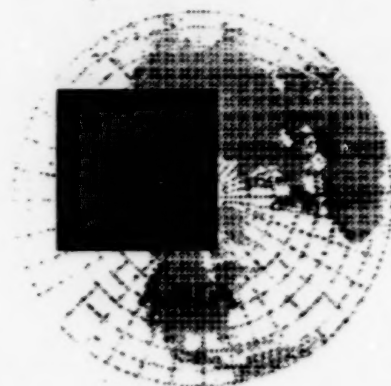
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**HUMAN RIGHTS WATCH STATEMENT TO THE UNITED STATES DEPARTMENT OF
LABOR INTERNATIONAL CHILD LABOR STUDY HEARING OF JUNE 28, 1996**

Human Rights Watch applauds the U.S. Department of Labor for holding public hearings on the pressing subject of child labor and for taking such a strong and public stand against the practice of bonded child labor around the world. We note that the Department's ability to assume an effective leadership role in this regard would be enormously enhanced if the U.S. were a party to the U.N. Convention on the Rights of the Child. Ratification of this important international treaty would send a clear message to the global community that the United States is serious about the protection of the rights of children; failure to do so while leading a campaign against child labor could lead to charges of hypocrisy.

"Bonded child labor" refers to the phenomenon of children working in conditions of servitude in order to pay off a debt, and at Human Rights Watch, we have documented such labor in Mauritania, Brazil, Thailand, Sudan, Pakistan and India. It is clear that while the problem is a global one, programs and strategies designed to address it must be tailored to local conditions. On the basis of extensive research we conducted for a forthcoming study of bonded child labor in India, however, we are convinced that any strategy aimed at reducing or eliminating the exploitation of children must include provisions for rehabilitation of children, so that they are not released from bondage only to be driven into the hands of another employer of bonded labor elsewhere. The primary criteria on which any program or policy on bonded labor should be judged is the extent to which it provides viable alternatives to work.

The Indian case is a particularly useful, if disturbing, example. There are an estimated 346 million children in India, of whom between forty-four and one hundred million work and between ten and fifteen million are in bondage -- or one out of every thirty-four children. As the Department's own International Child Labor Study has documented, children are working in export industries such as gems, leather, glass, silk, and carpet-weaving. But far more are working in the production of goods for the domestic market, such as silver smithing, cigarette (beedi)-rolling, silk production, and sari making. Many bonded children also work in domestic service, in agricultural labor and as porters in railway stations. Only fifteen percent of India's bonded child laborers work in export-oriented industries, but all are equally exploited as slaves and deprived of the right to childhood.

A common misconception of bonded child labor in India is that there is a clear difference between a child and an adult with a consequent difference in wages between a child laborer and an adult laborer within the same industry or factory. In reality, the only difference between child and adult is the legal distinction which designates fourteen as the minimum age for employment under India's constitution and in the Child Labour (Prohibition and Regulation)

Act of 1986. A thirteen-year-old is a child; a fourteen-year-old is an adult, and in many cases, there is no difference in wages, especially when industries pay adults and children on a piece-rate basis.

Another common misperception of bonded child labor is that children from exceptionally poor areas, like the state of Bihar, migrate to industries, either voluntarily or through coercive methods like abduction, to industries like the carpet industry in Uttar Pradesh, at the expense of adults who would receive higher wages for comparable work. This perception is misleading on several counts.

While migrant bonded child labor definitely exists, the majority of bonded child laborers are not migrants. In fact, most bonded child laborers in India work and live in their own communities. Even within the carpet industry, which is notorious for its use of bonded child labor, only about 25 percent of the estimated 300,000 children working are migrants, and this number is believed to be declining. The remaining 75 percent are working in and around their community. These children also suffer in conditions of bondage through becoming the victims of outright sale as well as abusive recruiting and apprenticeship practices. In our own investigations, we found only one industry, footwear manufacturing in Bombay, whose workforce was primarily composed of children trafficked from another state. In other areas where Human Rights Watch investigated the incidence of bonded child labor, including the beedi industry, silver manufacturing, synthetic gemstone manufacturing, agriculture, silk production, sari-making, and the carpet industry, bonded child laborers from the local community were predominant. In some cases, these children's homes were literally next door to their work sites. In such cases, the problem of bonded child labor is inseparable from the problems of the child's family and community.

Many of these children and their families are from the lowest castes and are treated, especially in rural areas, as second-class citizens, bound by the oppressive caste system into positions of servitude for higher-caste landlords and factory owners. They have been kept poor and deprived of any opportunities for self-improvement. Poverty, a lack of quality schools, caste discrimination, and class discrimination have forced these families to the brink of starvation. They have no opportunities for economic betterment and must accept any work available. When parents in this situation cannot provide enough to sustain their families, when there are no schools to educate their children, and there is no way of obtaining credit or loans to sustain the family, children are sent to work. Because of this situation, Human Rights Watch believes that the bonded child labor problem must be addressed through local community-based strategies. We also believe that community-based approaches offer the best opportunity to tailor programs to specific areas in which bonded child labor exists and are in the best position to monitor the incidence of bonded child labor and the rehabilitation of child workers. International pressure should be aimed at strengthening the effectiveness of such approaches.

In order for a community-based approach to work in India, several issues be addressed simultaneously. The first and most important component is rigorous enforcement of the Bonded Labour (Abolition) Act, 1976 or BLA. The BLA outlaws bonded labor and abolishes all obligations the bonded laborer may have to a creditor. It also outlaws the seizure of a bonded laborer's property as compensation for the debt the bonded laborer allegedly owes the creditor. It makes the practice of employing bonded labor a criminal offense punishable by up to six months imprisonment and a 3,000 rupee fine (US\$85). The BLA holds both individuals and corporations criminally culpable for the use of bonded labor.

Unlike the Child Labour (Prohibition and Regulation) Act of 1986, another law frequently cited as an attempt by the Indian government to end child labor, the BLA does not make any distinction between domestic industries, export industries, agriculture, or hazardous industries, nor between bonded children and

bonded adults. Its focus is eradication of all bonded labor. Enforcement of the law is the responsibility of the District Collector (DC), the most senior official at the district level throughout India. Because collectors are highly trained, highly qualified, and reasonably well compensated members of the Indian Administrative Service (IAS), and are transferred out of their districts every two to five years, collectors are widely believed to be far less susceptible to corruption than many government officers, including labor inspectors and chief medical officers, who are the personnel responsible for enforcement and providing age verification respectively under the Child Labor Act.

The collector has the power to enforce the law as well as to distribute public funds at the district level under the Integrated Rural Development Program (IRDP) and related programs which are specifically earmarked for the rehabilitation of bonded laborers. The collector is also mandated under the act to implement district level "vigilance committees" which are supposed to monitor the incidence, identification, and rehabilitation of bonded laborers.

As a result of Supreme Court decisions made after the Act became law, the national and state governments are not only responsible for identifying and releasing bonded laborers but also for rehabilitating them so that they do not return to conditions of bondage. The Indian Supreme Court, in the seminal case on bonded labor, *Neeraja Choudary v. State of Madhya Pradesh*, 1982, notes:

Poverty and destitution are almost perennial features of Indian rural life for a large number of unfortunate, ill-starved humans in this country and [it] would be nothing short of cruelty and heartlessness to identify and release bonded labourers merely to throw them at the mercy of the existing social and economic system which denies to them even the basic necessities of life such as food, shelter and clothing.

...what is the use of identification and release to the bonded labourers if, after attaining their so called freedom from bondage to a master, they are consigned to a life of another bondage, namely, bondage to hunger and starvation, where they have nothing to hope for, not even anything to die for—and they do not know whether they will be able to secure even a morsel of food to fill the hungry stomachs of their starving children...it is therefore imperative that neither the government nor the court should be content with merely securing identification and release of bonded laborers—but every effort must be made by them to see that the freed bonded labourers are properly and suitably rehabilitated.

As a result of this and other Supreme Court decisions, rehabilitation guidelines were incorporated in to the Government of India's own program for the identification, release, and rehabilitation of bonded laborers—both adults and children. Those guidelines, added in 1982 to a program initiated in 1978, are extremely comprehensive and include psychological, physical, and economic rehabilitation. The latter involves allotment of housing, agricultural land, training for acquiring new skills, developing existing skills, enforcement of minimum wage laws, provisions for providing employment and wages, provision for sanitary facilities and medical care, and education for the children of freed bonded laborers or bonded child laborers themselves.

Moreover, the guidelines stipulate that when planning any rehabilitation program, the bonded laborers must be given a choice as to which program they feel is best for their needs, and the program should ultimately be chosen in terms of whether it enables bonded laborers and their families to "cross the poverty line on the one hand and to prevent them from sliding back into debt bondage on the other."

After enforcement of the BLA, the most important component of a community-based approach is education about the detrimental effects of child or bonded child labor and the value of sending children to school. Many bonded children have parents who themselves were once bonded child laborers, and the practice of bonded child labor continues through the generations because no alternatives have been available. This environment has created a tolerance for bonded child labor which must be addressed in order to ensure that adults do not send children to work.

The third component to eradicate bonded child labor is a viable educational alternative to work, because, as numerous studies have shown, successful eradication of bonded child labor or child labor is related to the availability of free, compulsory, and quality education or, in the case of children approaching adulthood, adequate training to provide the skills necessary to find better and higher paying jobs than the occupations they currently hold. This basic fact has led many organizations, including UNICEF-India, the Bonded Labour Liberation Front (BLLF) of India, the Child Labour Action Network (CLAN), and the Campaign Against Child Labour (CACL) to focus on making primary education in India free, universal, and compulsory. Exploitation will not automatically end, and wages will not automatically increase because a child reaches the legal employment age, especially if the child has never been to school or has never been taught marketable skills. There is very little difference in the level of exploitation faced by an illegally employed thirteen-year-old or a legally employed fifteen-year-old.

The fourth component is access to credit, which is critical because it shifts the responsibility of providing income away from the child. Many children enter the workforce because their families incur expenses beyond their normal subsistence income, like a major illness, marriage, a funeral, or a dowry payment. Families who are at the verge of starvation have no access to credit and are forced to pledge their child's labor in order to generate the income necessary to pay those expenses.

These guidelines are not just untested theories but have been the focus of several NGO initiatives within India to deal with bonded child labor and child labor. The release and rehabilitation of bonded child laborers in the beedi industry of North Arcot district in the state of Tamil Nadu has been effective because it has the cooperation of the District Collector to enforce the Bonded Labor Act, 1976 and to allocate money for rural development into villages where bonded child labor is prevalent. The collector has also gone to great lengths to educate communities on the evils of bonded child labor, settle debts with local agents, and in some cases, jail intractable agents. In conjunction with the collector's program, a local NGO has set up schools and community education and awareness programs and developed community savings and thrift programs. This program is unique because the collector is taking an active role in enforcing the law and directing funds toward the rehabilitation of bonded labor, infrastructure development, building schools, and implementing village-level savings and thrift schemes for the families of bonded laborers. He has decided that whatever is necessary to rehabilitate bonded laborers will be made available. The collector believes that resources are not the issue in rehabilitating bonded children, because they are available under various programs, but that the key problem is lack of political will on the part of officials in other areas. They are implementing these programs village by village in North Arcot district. In 1995, the program managed to rehabilitate approximately 100 children, and this number will increase as they move to new villages.

In 1983, the NGO known as Chhattisgarh Krishak Mazdoor Sangh (CKMS) was applying these same methods to the eradication of bonded labor in Chhattisgarh, Madhya Pradesh. The NGO effectively petitioned the Supreme Court and government agencies to rigorously implement the BLA in order to rehabilitate more than 1,193 bonded laborers and set the foundation for the ongoing identification, release, and rehabilitation of others in the region.

Similar programs have been effective, even though they have not had the same level of commitment by government officials as in North Arcot or Chhattisgarh. CREDA, an NGO in the carpet industry of Uttar Pradesh and the MV Foundation, an NGO working with agricultural laborers in Andhra Pradesh are effective because they provide community awareness and educational opportunities for children who were formerly bonded, and in the case of CREDA, subsidies for children who are attending school.

While all of these examples can be considered effective in terms of their ability to rehabilitate bonded laborers, they are also limited. NGOs do not have the resources to address the total population of bonded children, their approaches necessarily require a long time to implement the community-based awareness and rehabilitation programs, and most importantly, they are operating in an institutional vacuum where the state has virtually abdicated its responsibility to enforce the law and accompanying rehabilitation scheme.

By all indications, India's enforcement of the BLA has been woefully inadequate. As of March 31, 1993, the Indian Government reported that the total number of bonded laborers identified and released throughout India, since the implementation of the BLA, was 251,424. Of these bonded laborers, the government estimated 7,000 were still awaiting rehabilitation. The government also estimated that the total number of bonded laborers that needed to be identified, released, and rehabilitated during 1994-95 was 2,784. These figures are much lower than the estimated ten to fifteen million bonded children in India and a comparable number of bonded adults. In addition to the statistics on the rehabilitation of bonded laborers, statistics on funding for rehabilitation show that money allocated by the government for the rehabilitation of bonded laborers has not been fully utilized. Funds for rehabilitation are allocated under various rural development programs, and the Ministry of Rural Development reported in its Annual Report of 1991-92, that in the two-year period beginning in 1989, only 76.16 percent of these funds were utilized. In 1990-91, 78.41 percent were utilized, in 1991-92, only 47.83 percent of funds were utilized. The unspent funds were subsequently reabsorbed by the government. As recently as March 14, 1996, the government reported that only 38.9 percent of the funds available for the rehabilitation of bonded laborers were utilized in 1994-95.

The main reason for this underutilization of resources is that the rehabilitation program is a 50:50 matching scheme in which state governments must implement the provisions of the BLA, and the central government matches their expenditures. The state governments failed to report their expenditures to the central government, and consequently the money was never released. The failure to report reflects a failure to enforce the law.

In April 1994, the Supreme Court, as a response to the inadequacy of implementation, ordered the state governments of Tamil Nadu, Maharashtra, Karnataka, Uttar Pradesh, Bihar, Orissa, Madhya Pradesh, Andhra Pradesh, Rajasthan, West Bengal, Assam, Punjab and Haryana, and Gujarat to report on the incidence of bonded labor. All of the state governments responded by stating to the court that there was no bonded labor in their respective states. The court did not believe the state governments' reply and ordered an investigation into the incidence of bonded labor in all thirteen states, using a court-appointed lawyer and an NGO in each of the states concerned. While not all of their reports have been completed, we were able to obtain the reports for the states of Tamil Nadu, Maharashtra, and Rajasthan. The Tamil Nadu report is the only one that has been publicly released, and it is an extremely comprehensive document. The NGO appointed by the Supreme Court, the Association for the Rural Poor, was able to obtain a grant from Bread for the World, which enabled them to hire twenty full-time investigators to document the incidence of bonded labor and enlist the help of experienced NGOs dealing with bonded labor and child labor. The report estimates that there are approximately one million bonded adults and children in Tamil Nadu. They found children in bondage in agriculture, stone-quarries, brick kilns, rope-making, synthetic gemstone

manufacturing, silk weaving, in shops, and beedi rolling. They also found through a review of government files, that there was no instance of rehabilitation, that court orders mandating the rehabilitation of bonded laborers were routinely ignored, and that the failure to implement rehabilitation resulted in workers relapsing into bondage.

Similar findings have been reported in Karnataka and Bihar in studies not related to the court's order. Father Kiran Kamal Prasad, a priest who has been actively involved in identifying agricultural bonded laborers, including children in northern Karnataka, found that after the implementation of the BLA, the government of Karnataka had released 65,255 bonded laborers between 1976-79 and 54,938 had been rehabilitated. Between 1979-1992, the government reported that there were an additional 2,866 bonded laborers released. Prasad found that these additional cases were part of the original group of bonded laborers identified from 1976-79, and that the government had not identified any new cases of bonded labor from 1979 through 1994. Consequently, Prasad meticulously documented approximately 19,000 cases of bonded labor, including children in agriculture, and presented the petitions for the rehabilitation of these people to the government in April, 1995. As of January 1996, the government had not rehabilitated any of the petitioners, nor had they enforced any of the provisions of the BLA regarding these people. The Chief Minister of Karnataka at the time these petitions were submitted was H.H. Deve Gowda who is now the Prime Minister of India. Prasad estimates that the total number of bonded agricultural laborers in Karnataka is approximately 125,000 - 150,000.

A similar situation exists in Bihar, where the Comptroller and Auditor General (CAG) of India has severely criticized the state government for "gross irregularities in rehabilitation of bonded laborers" including mismanagement of funds in which the government claimed it had spent 2.16 billion rupees (\$61,714,285) on the rehabilitation of bonded laborers, but the CAG found that only 6.7 million rupees (\$191,428) had actually been spent. In one case, the CAG found that two-thirds of a group of 180 people the government claimed to have released and rehabilitated were never bonded. The government also was found to have refused petitions for the rehabilitation of bonded laborers when they were presented to the government by local NGOs because the government stated that bonded labor did not exist in Bihar, and therefore the petitions were false.

There is no reason for this current situation to exist except for the almost complete lack of political will on the part of successive governments at the national, state, and local levels to enforce the BLA and accompanying rehabilitation scheme. Without rigorous implementation of the BLA, Human Rights Watch does not believe that an institutional mechanism exists to effectively eradicate or prevent bonded child labor in India.

The United States, having demonstrated its desire to address this issue, has many opportunities to take a leading role in ensuring that these guidelines are implemented. It can pressure the Indian government to fully implement the Bonded Labor (Abolition) Act, 1976 and the accompanying processes of identifying, releasing, and rehabilitating bonded laborers. It can use its considerable influence in the World Bank to urge that receipt of loans and other subsidies to India be conditioned on verified compliance with all domestic legal prohibitions on the use of bonded and child labor, including the BLA. Aid to the silk industry, in particular, should be suspended until the government of India has taken concrete steps to end the extensive use of bonded child labor in that industry.

Human Rights Watch urges the Department of Labor to ensure that any policies and programs the United States promotes as models of bonded child labor eradication be assessed according to their ability to rehabilitate working children and provide viable alternatives to work. In addition, the Generalized Systems of

Preferences (GSP) program provides an important source of leverage, particularly if the existing statutory language on internationally recognized worker rights (including a prohibition on the use of forced labor) can be strengthened.



Recent ILO Initiatives on Child Labor

The ILO has been intensifying in recent years its historic struggle against the problem of child labor in various parts of the world by giving greater visibility to the problem, expanding its technical cooperation program, and preparing a major new international standard to deal with the most abusive and exploitative forms of child labor.

During this year's annual International Labor Conference in Geneva, Switzerland, Labor Ministers from the ILO's 173 member States met on June 12 to discuss ways to accelerate efforts to eliminate child labor, particularly and as a matter of priority its most damaging and abusive forms. U.S. Labor Secretary Robert Reich was an active participant in this meeting which was also attended by leading figures from employers' and workers' organizations around the world. The meeting debated an ILO report, *Child Labor: What is to be done?* It called for an extensive, worldwide struggle, especially against the most exploitative forms of child labor. The Labor Ministers also urged the ILO to monitor the child labor situation in the world at large and increase its research and technical assistance program.

Another outcome of the ILO's June conference was the adoption of a **Resolution concerning the elimination of child labor** inviting governments, employers' and workers' organizations to take action for the progressive and effective elimination of child labor and "to immediately proceed to put an end to the most intolerable aspects of child labor, namely the employment of children in slave-like and bonded conditions and in dangerous and hazardous work, the exploitation of very young children, and the commercial sexual exploitation of children."

The ILO has also been intensifying its technical cooperation program with a view to bringing national laws and practices in line with international labor standards. The ILO's major operational arm is the **International Program on the Elimination of Child Labor (IPEC)**. Its basic aim is to work toward the progressive elimination of child labor by strengthening national capacity to address the child labor problem and promoting a worldwide movement against it. IPEC became operational in late 1992 in six countries - Brazil, India, Indonesia, Kenya, Thailand and Turkey. In 1994, it expanded to include Bangladesh, Nepal, Pakistan, the Philippines and Tanzania. This year, it expects to become operational in Bolivia, Cameroon, Chile, Colombia, Costa Rica, Egypt, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru and Venezuela.

In four years' time, the ILO has been able to provide technical assistance to 25 countries through the IPEC program. The program is expected to expand further in the near future.

The ILO is also carrying out work intended to assist enterprises in the provision of basic protection for workers and engage them in the fight against child labor through the provision of examples of best practices and codes of conduct. It has initiated studies on social labeling and codes of conduct, especially in the footwear, textiles and clothing (FTC) sectors. This relatively new approach to social responsibility for enterprises operating worldwide was primarily developed in the United States but is now also developing in Europe and Japan. International and national trade unions in industrial and developing countries consider this evolution rather positively and are keen on the implementation of these codes of conduct. The ILO's study will review these and other similar initiatives aimed at incorporating a social ethic into the global activities of the FTC industries. The study will be taking a representative sample of enterprises to analyze the origin of these codes of conduct, their content and the way they are implemented. Special attention will be given not only to positive results but also to difficulties encountered in their implementation. The role played by national and international trade unions will also be taken into consideration. The same kind of analysis will concentrate on social labeling campaigns.

Additionally, the Office plans to develop in 1998-99 a Code of Practice for the Progressive Elimination of Child Labor. This Code would provide member States with a model framework as well as examples of how to get in motion a sustained process for the elimination of child labor. It would contain an analysis of the key steps involved in national policy and program formulation and implementation; options for sectoral interventions in fields such as legislation, education and training; methods to mobilize and build the capacity of the various partners in civil society, especially employers' and workers' organizations; and practical guidelines for action. This Code of Practice would be based on a wide range of national policies and programs carried out by member States and the ILO's International Program on the Elimination of Child Labor, as well as the research activities that are currently in progress in the office.

One of the most significant events in the field of child labor is the preparation of a new international convention on child labor. While this Convention will complement existing international instruments such as the U.N. Convention on the Rights of the Child and the ILO's Convention No. 138 on Minimum Age for Admission to Employment, it will go further in one fundamental aspect. It will place the banning of the intolerable forms of child labor at the center of member States' obligations. These include the employment of children under conditions that are contrary to fundamental human rights; for example, work performed by a child in slavery, debt bondage, bonded labor; child prostitution; the use of children in drug trafficking or the production of pornography; and child labor in hazardous industries and occupations. It is expected that this international labor convention will be adopted by ILO member States in 1999.

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Ministerial Level

Executive summary

Geneva, 12 June 1996



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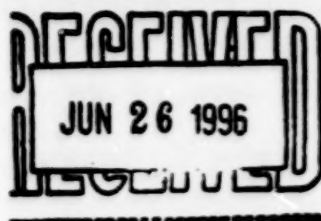
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ISBN 92-2-110282-3

First published 1996

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1. The document "Child labour: What is to be done?", prepared by the Office for discussion at the Informal Tripartite Meeting at the Ministerial Level on 12 June, describes the extent and nature of the problem and suggests avenues for action by the ILO and its member States.

Child labour in the world today

2. The Office document shows that child labour is still a cause for concern: first, because of the number of children affected, which is still very high; second, and most importantly, because of the negative repercussions it often has on the personal development of children and on the economic and social development of countries.

3. The extent of child labour in figures is hard to gauge, since the necessary statistics are unavailable virtually everywhere. However, surveys carried out in several countries and available statistics indicate that there are tens or even hundreds of millions of children working today throughout the world. The vast majority of these children live in the developing regions, where an average of one out of five or one out of three children, depending on the region, is estimated to be economically active. In the industrialized countries, child labour is not a thing of the past; it still exists, even though the conditions in which it takes place are less frequently marked by economic exploitation or exposure to hazardous working conditions.

4. The lack of reliable and comparable statistical series also makes it impossible to assess the trend of child labour over time. According to some experts focusing mainly on Africa and Latin America, the proportion of working children has increased in the last 15 years under the influence of factors encouraging the supply of child labour. Child labour is also estimated to have increased substantially in several Central and East European countries as a result of the difficulties faced by large sectors of the population due to the transition from a centrally planned to a market economy.

5. It is difficult to draw a profile of the typical child worker, since the situations in which children work vary greatly from one country to another. However, the statistical data available enable some observations to be made which apply to most countries. First, children are much more likely to work in rural than in urban areas. Second, the vast majority of child workers are employed in small production units in the rural and urban informal sectors, or as domestic workers in private households. Third, relatively few children are employed in the modern sector, although enterprises in this sector may contribute indirectly to child labour, since some of them contract out part of their production to small informal workshops or homeworkers who, in turn, make intensive use of child labour. Fourth, a large majority of working children are unpaid family workers. Lastly, there is little difference between the sexes in the participation rate of children in economic activity if one takes account of full-time housework performed by many girls at home in order to enable their parents to go to work.

6. Child labour is a problem not only in terms of the number and proportion of children affected, but also, and most importantly, in terms of the risks and abuse to which these children are exposed at work. In this aspect too there is cause for concern. First, many children are put to work at a very early age, often as soon as they are 5 or 6 years old. Second, work is often a permanent activity for children who are economically active, takes up long hours each day and is therefore difficult to reconcile with school attendance. While it is true that many children who work continue to attend school, it is just as true that many others — 30 to 50 per cent of all children, depending on the country — stop going to school altogether. Third, many children work under conditions that seriously impair their dignity and physical or emotional development. In recent years the media have regularly denounced the bonded labour to which millions of children are subject, the trafficking in children from rural areas or neighbouring countries for employment or prostitution in cities, and the severe ill-treatment and even murders

of street children. The poor conditions imposed in some countries on children employed in certain branches of industry geared mainly to export, such as the carpet and textile industries, have also received media coverage. Such reports could also have mentioned the humiliating working conditions imposed on millions of children employed as domestic workers, or denounced the excessive workloads and serious health and safety hazards to which countless children are exposed in agriculture and construction. Under the conditions described above, child labour poses serious problems. It places excessive demands on children, exploits them cheaply, prevents them from acquiring an education or training and jeopardizes their health, safety, morality and dignity. The cost of child labour is high: first of all for the children themselves, who reach adulthood with their physical, intellectual or emotional development impaired; and for society, which must forgo part of the skilled human resources it needs in order to develop.

7. How did this happen? The factors underlying the supply of and demand for child labour are many, and have a combined effect. Factors influencing supply obviously include the poverty in which many families live, which itself is caused by inadequate economic growth and an inequitable distribution of national income; for most of these families, putting a child to work is part of a survival strategy. There are also the quantitative and qualitative deficiencies of educational systems: there are not enough schools, or the schools are too far away, teachers are too few or inadequately trained, or school curricula are not perceived by families as leading to job opportunities likely to compensate for the immediate earnings they must forgo by keeping their children in school. Among the factors affecting demand, children work because there are people who have a vested interest in their work — their parents, other persons (in the case of domestic workers), or heads of enterprises; children are far cheaper than adults in terms of direct and indirect wages paid, they are more docile and can be more easily laid off when business slows down. An additional factor is inadequate protective legislation. Many children are economically active and many persons use their services simply because child labour is not prohibited by law; in many countries this is often the case of children working in agriculture, small workshops or stores in the urban informal sector, in family enterprises or as domestic workers in private households. Moreover, in branches of activity in which child labour is in fact prohibited, the law is often inadequately enforced because there is not the genuine political will to apply it and the resources available to labour inspectorates are extremely limited.

8. It is often said that underdevelopment and the resulting poverty of countries and families are the main cause of child labour. Although this is true to a large extent, it does not explain everything. Why do some very poor families send their children to work while others that are just as poor prefer to keep them in school? Are the deficiencies of educational systems that push so many children to go to work the result of underdevelopment and poverty or ill-conceived national priorities? Why are not poverty and budgetary constraints invoked in the case of other items of public expenditure, such as arms purchases? The fact is that to a large extent child labour exists and is on the rise for the simple reason that society is unaware of it or tolerates it, sometimes even in its most abusive manifestations, as if it were part of the natural order of things.

What can be done at the country level?

9. What has been done to combat child labour in the countries where it is the most widespread? Apparently very little, and what has been done is in no way proportional to the extent and gravity of the problem. The attitude has long been one of *laissez-faire*, in which governments have simply left it to economic growth or legislation to provide the solution. Experience has shown that, indispensable though it is, economic growth does not in itself reduce the incidence of child labour unless it is accompanied by effective measures ensuring that the

poorest sectors of the population obtain a share of the additional national wealth created. Moreover, the supply of and the demand for child labour are not only a matter of economics; they are influenced by a number of other factors, in particular cultural factors. Lastly, while legislation too is necessary, it is of little use unless its scope covers the work situations in which the majority of working children are to be found and the most harmful forms of child labour, and unless effective measures are taken to enforce it, which is not always the case.

10. Since the beginning of the 1990s, the situation has changed and child labour issues have received an increasing amount of attention, in particular from the ILO's tripartite partners, in a growing number of countries. This positive development is due to three factors. First, an emerging awareness that recourse to child labour in conditions that are harmful to children's development may have increased and may continue to spread in many countries as a result of economic decline and its negative impact on social development, and on employment and education in particular. Second, an increasingly vocal concern that some countries may use the work of children at ages and under conditions that are not in conformity with universally accepted standards in order to obtain a comparative advantage in international trade with respect to other countries that are striving to apply these standards. Lastly, there has been stronger support from public opinion than in the past for the cause of human rights and for the rights of the child in particular.

11. An increasing number of countries are now willing to tackle the problem of child labour with determination. Chapter II of the Office document puts forward a series of suggestions for national action.

12. The first conclusion that can be drawn is that although the elimination of all child labour in the short term is beyond the reach of many countries, given the vast extent of the problem and the limited resources available, under no circumstances can poverty be used as an excuse for children obliged to work to have their physical integrity assaulted, their intellectual development impaired and their dignity flouted. Experience shows that significant progress can be achieved on the way to the abolition of child labour provided that there is the will, both at the political level and in society itself, to combat it, and that clear priorities have been set for national action. What should these priorities be? First and foremost, action needs to be taken against the most intolerable forms of child labour, that is those that constitute a real infringement of human rights, such as forced labour, bonded labour and prostitution, and those that are especially hazardous to the child's safety or health or prevent him or her from acquiring a normal education. National action should be geared to the immediate withdrawal of children from such work situations; it should also prevent other children from having to work under such conditions.

13. Second conclusion: none of the actors in the fight against child labour is able to solve it alone, and this fight concerns everyone. Until now most initiatives against child labour have been taken by non-governmental organizations (NGOs), sometimes with the support of enlightened municipal authorities. Although these initiatives have opened up promising new avenues for action, the fact remains that they have not made up for the inaction of the public authorities and that the number of child workers they have reached represents only an infinitesimal share of those needing state protection. Greater involvement of the ILO's tripartite partners in the fight against child labour is urgently needed. Governments must be mobilized first and foremost, since a country's children are its future and it is the State's responsibility to ensure that young persons can achieve their full physical and mental potential. Government involvement does not only mean interventions by the ministry responsible for labour, but also calls for action by other ministries, such as those dealing with education, health, the family, young persons, public information and economic and social development planning. Neither is it limited to government institutions at the central state level. Experience shows that it is at the municipal level that forces can be mobilized most easily. Employers' and workers' organizations

also have an essential role to play, as do other NGOs, the media, universities, members of parliament and teachers. In fact, the problem of child labour is so vast and its causes so deep-rooted and diverse that it is only through the participation of all groups of society that progress can be achieved on the road to its solution.

14. Third conclusion: no one type of intervention is sufficient in itself; child labour has to be combated on several fronts. First, knowledge of the problem has to be improved in order to determine the degree of urgency or priority for national action of existing cases of child labour. Second, an enabling political and social environment must be created, attitudes need to be changed at the different levels of society so that the current indifference, passivity or resignation towards child labour can give way to understanding, anger and the will to act. To this end, the general public needs to be systematically informed of abuses committed within the country, made aware of the gravity of the problem, encouraged to bring the necessary pressure to bear on the public authorities, and kept mobilized. Third, there has to be sound legislation on child labour. While legislation is not sufficient in itself to prevent child labour, it is an indispensable element since it embodies society's values and commitments with respect to its youth. It ensures that protection of children against economic exploitation and hazardous working conditions is backed up by the full weight of the State. In order to provide effective protection, legislation must cover the sectors and occupations in which child labour is most prevalent (agriculture, domestic service, small informal sector establishments, family enterprises, home work) and all forms of work that are harmful to children's physical, intellectual or emotional development. Even the best legislation, however, is useless unless it is enforced. This is not only a matter of increasing the number of labour inspectors — an unattainable goal in many countries — or the frequency of their visits, it is also, and most importantly, a question of fostering a genuine political will to enforce legal provisions and involving local communities in monitoring the conditions in which their own children work. Fourth, an institutional mechanism needs to be created or strengthened within the state apparatus, with responsibility for setting the main priorities of national child labour policy, in consultation with the most representative employers' and workers' organizations and other relevant groups of civil society, determining the respective contributions of the different government institutions and implementing this policy, ensuring complementarity between measures taken by the public and private sectors, and providing technical and financial support to direct intervention programmes targeted at children involved in particularly harmful forms of work. Fifth, the institutional capacity to combat child labour needs to be improved by providing adequate training to the different types of staff involved — employees of ministries and municipalities, labour inspectors, trade unionists, representatives of employers' organizations and NGO workers that are directly involved. Sixth, experiments need to be tried and tried again in the form of pilot projects geared to withdrawing children from particularly harmful work situations, first by providing them with the essential services they need (shelter, food, health care), then by offering them viable alternatives, such as extra tuition to help them go back to school, apprenticeship services or pre-vocational training, or another remunerated activity in a sheltered workshop. Lastly, the results of these projects need to be evaluated, their content adapted and their implementation on a wider scale promoted.

15. Fourth conclusion: in addition to immediate measures aimed at quickly putting an end to the most intolerable forms of child labour, national policy must include a set of actions geared to the long term and addressing the underlying causes, discouraging demand and limiting the supply of child labour. This would include measures to promote economic growth and, even more importantly, a type of growth which would focus greater concern on the most disadvantaged population groups, facilitating their access to productive and adequately paid employment, and affording a minimum level of social protection, thus contributing to reducing the economic need for child labour. This would also include action targeted at educational

services for children. Education is probably the best weapon in the fight against child labour. No satisfactory solution to the problem will be achieved without a basic education system that makes school physically accessible to all children of school age, financially within reach of every family, even the poorest, and attractive enough in terms of future job opportunities or prospects.

What can the ILO do?

16. After recalling that the ILO's fight against child labour is as old as the Organization itself, Chapter III of the Office document suggests means to strengthen the relevance of the Organization's action in this area, particularly in terms of standard setting, research and technical cooperation.

17. With regard to standard setting, the document concludes that the Minimum Age Convention, 1973 (No. 138), which is the ILO's main instrument on child labour today, is far from obsolete, in so far as the adoption of legislation fixing a minimum wage below which children should not be allowed to engage in an economic activity is still one of the fundamental elements of a coherent national strategy against child labour. It is regrettable that this Convention has only been ratified by 49 countries, only 21 of which are developing countries, and that these do not include any in Asia. This situation is all the more regrettable in view of the fact that the Copenhagen Declaration adopted by the World Summit for Social Development (March 1995) includes Convention No. 138 in the group of ILO Conventions judged essential for the defence of workers' basic rights and interests. The Office has appealed to member States to ratify this instrument in greater numbers. At the same time, it has submitted a proposal to the Governing Body — which accepted it last March — to include an item on child labour in the agenda of the 1998 Session of the International Labour Conference with a view to adopting new international standards on child labour. The objective is to strengthen the arsenal of ILO standards with a binding instrument geared to banning the most intolerable forms of child labour. The Office is of the view that a new Convention of this kind would have a good chance of being ratified by a very large number of both industrialized and developing countries; it would also strengthen the ILO's authority in the worldwide fight against child labour and would provide clear guidelines for the Office's technical cooperation.

18. The ILO has other means of assisting its member States in the field of child labour. One of these is to collect and disseminate information in a systematic manner on what is being done to reduce the extent of child labour or to improve the conditions in which children work. Another means is action-oriented research. In order to become a centre of excellence on child labour issues the Organization needs an ambitious research programme to provide regular input to the fund of ideas required for the technical cooperation it affords under its International Programme on the Elimination of Child Labour (IPEC). It is absolutely essential to strengthen this complementarity between research and technical cooperation. It is extremely important for the avenues of action suggested as a result of the discussions and analysis carried out at ILO headquarters to be tested in IPEC's operational activities and to be enriched in turn by the field experience to which IPEC exposes them.

19. The role of technical cooperation is to bring national law and practice more into line with the models proposed by international labour standards. In the case of child labour, the proposed model is its total and effective abolition. Consequently, direct assistance provided by the ILO to member States must ensure that a real step is taken towards the abolition of child labour and, especially, that its most intolerable forms are not tolerated any longer. This pragmatic approach adopted by IPEC consists of going straight to essentials and endeavouring to put an end to forms of child labour that are manifestly harmful to them. This Programme, which became operational in 1992 thanks to a generous donation from the German Government,

is the new framework set up by the ILO to stimulate and organize collaboration among its member States in the fight against child labour. It seems to be off to a good start. Eight more donor countries have joined the Programme; from only six in 1992-93, a total of more than 20 countries will benefit from its assistance in 1996-97; and promising results have already been achieved.

Concluding remarks

20. There is one conclusion to be drawn at the end of this summary, which is that much remains to be done both at the national level and by the ILO to overcome the problem of child labour. This problem is a real challenge for many member States, and one that is worth taking up; what is at stake is the future of young people and hence of society itself. The fight against child labour is also a challenge for the ILO. The time has come for our Organization to examine its role and its priorities and to find ways of ensuring that its action is relevant. The Office hopes that the Informal Tripartite Meeting at the Ministerial Level will shed new light on these concerns.



Geneva, 10 June 1996
ILO/CLK/1

Child Labour Today: Facts and figures

Though reliable statistics are rare, available information suggests that the number of working children remains extremely high. No region of the world today is entirely free of child labour.

Although the internationally recommended minimum age for work is 15 years (ILO Convention No. 138) and the number of child workers under the age of 10 is far from negligible, almost all the data available on child labour concerns the 10-to-14 age group. Combining various official sources, the ILO estimates that more than 73 million children in that age group alone were economically active in 1995, representing 13.2 per cent of all 10-to-14 year olds around the world.

- The greatest numbers were found in Asia – 44.6 million (13 per cent) – followed by Africa – 23.6 million (by far the highest rate at 26.3 per cent) – and Latin America – 5.1 million (9.8 per cent).
- Estimates by country showed the following rates of economic activity among children 10-to-14: Bangladesh (30.1 per cent), China (11.6), India (14.4), Pakistan (17.7), Turkey (24); Côte d'Ivoire (20.5), Egypt (11.2), Kenya (41.3), Nigeria (25.8), Senegal (31.4); Argentina (4.5), Brazil (16.1), Mexico (6.7); Italy (0.4), Portugal (1.8).

"But this is only part of the picture", says Assefa Bequele, departmental Director and child labour specialist at the ILO. "No reliable figures on workers under 10 are available though their numbers, we know, are significant. The same is true of children between 14 and 15 on whom few reports exist. If all of these could be counted and if proper account were taken of the domestic work performed full-time by girls, the total number of child workers around the world today might well be in the hundreds of millions."

Though mostly prevalent in the developing regions, child labour also exists in richer industrialized countries. "In southern Europe, there have always been relatively large numbers of children working for pay, in particular in seasonal activities, street trades, small workshops or in a home setting", notes an ILO report* prepared for a meeting to be held in conjunction with this year's session of the International Labour Conference (4-20 June 1996).

* *Child Labour: What is to be done? Document for discussion at the Informal Tripartite Meeting at the Ministerial Level, Geneva, 12 June 1996.* International Labour Office, Geneva, 1996.

In central and eastern Europe, the difficulties connected with the transition from a centrally planned to a market economy has led to a substantial increase in child labour. The ILO report points out that "the same is true of the United States, where the growth of the service sector, the rapid increase in the supply of part-time jobs and the search for a more flexible workforce have contributed to the expansion of the child labour market."

Traditionally, the proportion of working children has been much higher in rural than in urban areas – nine out of ten are engaged in agricultural or related activities. In the towns and cities of developing countries, where child labour has increased steadily as a result of the rapid urbanization of recent years, working children are found mainly in trade and services and to a lesser extent in the manufacturing sector.

Experimental statistical surveys carried out by the ILO in Ghana, India, Indonesia and Senegal have shown that the economic activity of over three quarters of children between the ages of 5 and 14 takes place in a family enterprise setting. With the exception of Latin America where their numbers appear to be substantial, "children employed as wage-earners usually account for a relatively small percentage of total child labour", says the report.

"At the international level," notes the report, "attention focuses mainly on children employed in Third World countries and predominantly export industries, such as textiles, clothing, carpets and footwear. In fact, though, children producing for export are substantially fewer than those employed in branches of activity geared essentially to meeting domestic consumption needs."

Available statistics suggest that more boys than girls work. "It should be borne in mind, however, that the number of working girls is often underestimated by statistical surveys, as they usually do not take into account full-time housework performed by many children, the vast majority of whom are girls, in order to enable their parents to go to work".

Girls, moreover, tend to work longer hours, on average, than do boys. "This is especially true for the many girls employed as domestic workers, a type of employment in which hours of work are typically extremely long. This is also the case of girls employed in other types of jobs who, in addition to their professional activity, must help with the housework in their parents' home."

One of the factors affecting the supply of child labour is the high cost, in real terms, of obtaining an education. Many children work to cover the costs of school expenses. But, "many schools serving the poor are of such abysmal quality, or chances of upward mobility for graduates are so slim, that the expected return is not equal to the sacrifice made. (...) While it is true that many children drop out of school because they have to work, it is equally true that many become so discouraged by school that they prefer to work".

Refuting the 'nimble fingers' argument

In manufacturing industries, children are most likely to be employed, says the report, "when their labour is less expensive or less troublesome than that of adults, when other labour is scarce, and when they are considered irreplaceable by reason of their size or perceived dexterity."

The ILO investigated this latter question in 1992 as it applied in the handwoven carpet and glass bracelet (bangles) industries in India, subsequently expanding its studies to include the diamond polishing, gem polishing, slate, limestone and mosaic chip quarrying industries.

The findings of these studies, says the ILO, "clearly refute the 'nimble fingers' argument – the claim that only children can do certain jobs, or can do them better than adults." Very often, the studies found, "the jobs that only children perform consist of menial unskilled work that adults could do at least as quickly."

"Some of the best carpets, those having the greatest density of small knots, are woven by adults", states the report. If child dexterity is not uniquely necessary to knot the finest carpets, it is difficult to imagine other trades for which the 'nimble fingers' argument could be valid.

Eliminating child slavery and the most abusive forms of child labour

Many working children face significant threats to their health and safety. The majority are involved in farming and are routinely exposed to harsh climate, sharpened tools, heavy loads as well, increasingly, as to toxic chemicals and motorized equipment.

Others, particularly girls working as domestic servants away from their homes, are frequent victims of physical, mental and sexual abuses which can have devastating consequences on their health.

"Prostitution is another type of activity in which children, especially girls, are increasingly found", says the ILO report. "The AIDS epidemic is a contributing factor to this trend, as adults see the use of children for sexual purposes as the best means of preventing infection. The laissez-faire attitude of the authorities in charge of national and international tourism is also largely responsible for the current situation."

Another "extremely serious problem", says the report, is child slavery.

"Available information points to the existence of traditional forms of child slavery in South Asia and sub-Saharan East Africa. Instances have also been found in two Latin American countries". Contemporary forms of child slavery however, appear to be evolving "either by a link being established between an adult's work contract and the availability of a child or by the exchange of a child for a sum of money that is often described as an advance on wages."

"A large number of child slaves" who, according to reports cited in the ILO report may number in the tens of millions, "are to be found in agriculture, domestic help, the sex industry, the carpet and textile industries, quarrying and brickmaking."

"Child slavery predominates mainly where there are social systems based on the exploitation of poverty, such as debt bondage, when the motivation is the debt incurred by a family to meet a social or religious obligation or simply to acquire the means of survival", says the report, adding that wars are also conducive to child slavery.

"A different approach is needed for each of these different forms of child slavery" warns the ILO. "In the first instance, any external, and particularly international, intervention is doomed to failure if it is not accompanied by a process of social transformation implemented by the communities concerned. In the second case, the enslavement of civil populations in the context of an armed conflict is a crime against humanity", which the international community has an obligation to stop and to punish.

There is a growing body of opinion "that national and international efforts need to be more sharply focused on the most abusive and hazardous forms of child labour, granting them first concern and priority", underlines the report.

"Perhaps the most telling social argument against child labour is that its effects are highly discriminatory, adding to the burden and disadvantage of individuals and groups already among the socially excluded while benefiting those who are privileged."

"For that reason, child labour is inconsistent with democracy and social justice."

Estimated percentages of economically active children between 10 and 14 years of age, 1995*

(Selected countries and territories)

Africa (%)	
Algeria	1.63
Burkina Faso	51.05
Burundi	48.97
Cameroon	25.25
Côte d'Ivoire	20.46
Egypt	11.23
Ethiopia	42.30
Ghana	13.27
Kenya	41.27
Mali	54.53
Morocco	8.81
Niger	45.17
Nigeria	25.75
Senegal	31.36
South Africa	0.00
Tunisia	0.00
Uganda	45.31
Zambia	16.27
Zimbabwe	29.44

Asia (%)	
Bangladesh	30.12
Bhutan	55.10
China	11.55
East Timor	45.39
Hong Kong	0.00
India	14.37
Indonesia	9.55
Iran	4.71
Iraq	2.95
Japan	0.00
Jordan	0.88
Malaysia	3.16
Nepal	45.18
Pakistan	17.57
Philippines	8.04
Saudi Arabia	0.00
Syrian Arab Rep.	1.78
Turkey	24.00
Thailand	16.22
Viet Nam	9.12
Yemen	20.15

Latin America (%)	
Argentina	4.53
Bolivia	14.36
Brazil	16.09
Chile	0.00
Colombia	6.62
Costa Rica	5.48
Cuba	0.00
Dominican Rep.	16.06
Guatemala	16.22
Haiti	25.30
Mexico	6.73
Nicaragua	14.05
Paraguay	7.87
Peru	2.48
Uruguay	2.08
Venezuela	0.95

Europe (%)	
Albania	1.11
Hungary	0.17
Italy	0.38
Portugal	1.76
Romania	0.17

Oceania (%)	
Papua New Guinea	19.31
Solomon Islands	28.89
Polynesia	3.67

* Source: Economically active population. Estimates and projections, 1950 - 2010. Fourth edition (unpublished - data available from the ILO Bureau of Statistics), International Labour Office, Geneva.



NATIONAL RETAIL FEDERATION

**STATEMENT
OF THE
NATIONAL RETAIL FEDERATION**

**SUBMITTED
FOR THE RECORD**

**BUREAU OF INTERNATIONAL LABOR AFFAIRS
U.S. DEPARTMENT OF LABOR**

JUNE 28, 1996

The World's Largest Retail Trade Association

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**Statement of the
National Retail Federation
Submitted
For the Record
Bureau of International Labor Affairs
U.S. Department of Labor**

June 28, 1996

The National Retail Federation (NRF) submits these comments to the Bureau of International Labor Affairs on behalf of the U.S. retail industry. The Federation represents the entire spectrum of today's retail industry, from discounters to mass merchants to department stores to specialty stores to small, independent stores. Our members represent an industry which generated over \$2.3 trillion in sales last year and employed 20 million people, one in five working Americans. We also represent all fifty state retail associations and 34 national retail associations.

The nation's retailers abhor the use of child labor, forced labor or exploitative labor wherever it may occur -- here in the United States or internationally. Yet, we encourage the Administration to proceed with caution as you contemplate what types of action to take to curb the abuses that have been outlined in recent weeks by Mr. Kernaghan of the National Labor Committee and others. A "quick-fix" remedy or band-aid such as a labeling program may make American consumers feel good about their purchases -- yet, recent history has shown that labeling programs do little to help the plight of those in need of protection -- the workers themselves.

The retail industry goes to extraordinary lengths working with suppliers and contractors, to ensure that the products on our shelves are produced in accordance with all applicable laws. This is not something we take lightly. As retailers, we rely on our reputations and the good will we have created with our customers to ensure success in the marketplace. If that good will is ever breached with our customers, it is hard to recapture. Therefore, it is in our interest to ensure that the

goods we sell are produced safely and legally. A reputation gained from decades of good faith efforts to comply with all laws can go down the drain with one widely distributed press story. That is why it is so crucial that activists or others churning out press releases or press statements use extreme care when launching public relations attacks and sully the names of reputable American retail companies without first checking the facts.

The nation's retailers care about the rights of workers in the apparel industry -- whether they live and work in the United States or internationally. However, two central questions remain -- who is best positioned to ensure the rights of those workers and who has a legal obligation to do so?

In the case of working conditions here in the United States, both the federal government and the various states' governments have an obligation to enforce the laws to the fullest extent possible. Clothing manufacturers are the next lines of defense. They have a legal obligation to comply with all applicable laws. As we have discussed with Labor Secretary Robert Reich and his staff for several months now, the American retail industry is committed to combating any abuses of our domestic labor laws. Last week in New York, the Federation sponsored a compliance seminar to further educate our domestic suppliers of their legal obligations and to underscore our industry's commitment to selling products that are made safely and legally. The seminar was attended by approximately 400 apparel manufacturing executives who do business in and around New York. Similar seminars will be conducted later this year in California and in Texas.

Our commitment extends to the international front as well. U.S. retailers work with foreign suppliers and the national and local governments of those countries to ensure they live by and enforce their own sovereign laws. The international manufacturers, again, represent the first lines of defense, and are charged with obeying all of the laws of the countries where they are doing business. As retailers, we insist in our contracts that the use of child labor or exploitative labor will not be tolerated and we make unannounced inspection visits to ensure

that our products are being made by our contractors in safe and legal environments where workers' rights are protected. When we find a problem, we take decisive action to either correct the problem or to terminate our relationship with the manufacturing company that does not comply with the law.

However, the retail industry is active on several other levels to combat the potential use of child labor or exploitative labor. As an industry, we are developing model guidelines and an industry handbook as a means of standardizing industry practices. Here in Washington and in capitals all over the globe, senior executives from the retail industry are meeting with both government and industry officials from our trading partner nations to emphasize our strong concerns about child labor. We held one such meeting this week with three Ambassadors from Central American countries. We are working with other U.S.-based companies through the U.S. Council for International Business to participate as employers at the International Labor Organization (ILO) in Geneva. All of our trading partners, both exporters and importers realize that this problem is a very complicated one and one for which overnight solutions do not exist.

American retailers are willing to play an appropriate role as we all struggle to address the problem of child labor.



June 27, 1996

The Honorable Robert B. Reich
Secretary
Department of Labor
200 Constitution Avenue, N.W.
Washington, D.C. 20210

Dear Mr. Secretary:

Though NIKE is not an industry leader in the manufacture of soccer balls in terms of volume, we have chosen to be a leader when it comes to the industry's attempts to rid itself of child labor. As our share of the soccer ball market -- which now stands at less than one percent -- continues to grow, we will have an opportunity to have an even greater impact on this significant issue.

Although NIKE is new to the soccer ball industry and new to Pakistan, we have nevertheless chosen to act as an agent of change on this issue. When we began soccer ball production in Pakistan last year, we implemented more steps to protect worker rights than companies that have operated in the country for decades. Among our steps:

- At NIKE's urging and with our help, SAGA Sports, a Pakistani soccer ball subcontractor, is establishing five new, modern stitching centers with 500 workers each under the direct employment of SAGA. The employment of the stitchers will be controlled and observed to avoid under-age labor, and working hours will be fixed at nine hours per day, with lunch and tea breaks. The first center will open this fall, with three more of the five completed by the first half of 1997.
- SAGA will open fair price shops in the immediate vicinity of the stitching centers to provide basic commodities at subsidized rates for workers and their families.
- SAGA will expand existing health care services for workers and their family members at the new centers.
- NIKE will also work with SAGA to establish recreational facilities and literacy training for workers at these facilities.

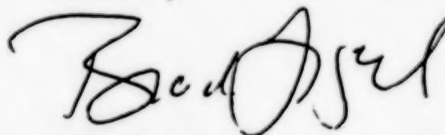
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The Honorable Robert B. Reich
June 27, 1996
Page Two

The use of any forced or under-age labor is in direct violation of our Memorandum of Understanding and Code of Conduct which we sign with all of our production partners. The above-outlined measures are intended to address this practice for the long term. Until the new stitching centers are completed, we have redoubled our efforts to enforce child labor prohibitions with our partners. We happen to believe that it is more effective to work for change in the child labor system, to the extent we can, than to ignore that such conditions exist. After all, it is the responsibility of a leader to deal with today's realities, in order to positively affect tomorrow's lives.

The issue of child labor in Pakistan is a difficult one. NIKE has decided to do its part to make the situation better and we encourage our industry peers to do the same.

Sincerely,

A handwritten signature in black ink, appearing to read "Brad Figel", written in a cursive style.

Brad G. Figel
Director of Governmental Affairs
and International Trade Counsel



Peter R. Moore
Senior Vice President
Global Soccer/Rugby Division

June 12, 1996

Dear Colleague:

I am writing to announce that after many months of research and planning, Reebok has put into place plans to buy Pakistani-made soccer balls that we know with certainty will *not* be stitched by children. Before I describe this program to you, I want to provide you with the background that has led us to embark on this venture.

Reebok is a global athletic sports and fitness brand dedicated to bringing exciting, quality products to market. As a company that has long stood for human rights, we are also committed to finding partners that will manufacture these products in a fair and just manner.

Our soccer business is critically important to us worldwide and, ever since we first learned that as many as 20% of soccer ball stitchers in Pakistan may be children, we have been reassessing this aspect of our business with the hope that we could find a way to operate there that reflects our human rights standards.

Working with colleagues at the Soccer Industry Council of America (SICA), Reebok helped establish the Task Force on Global Manufacturing Practices to organize, research and develop recommendations for action. The SICA Task Force represents a significant attempt by U.S. industry to address the problem of child labor. The Task Force has called on the services of outside experts, including a noted human rights activist and professor of human rights and business ethics at Columbia University and a highly-regarded research organization based in Pakistan with experience working with UNICEF and other international organizations.

Through the Task Force we have been able to understand possible options to explore -- and what to avoid -- when approaching this problem.

We learned that child labor in Pakistan is a symptom of serious social and economic challenges -- rampant poverty, inadequate educational opportunities, and cultural attitudes concerning the responsibilities of family members, to name only three.

Although the conditions for children were by no means as abusive as we had feared (researchers found no support for allegations of "bonded" or "slave" labor in soccer ball assembly and conditions were substantially better than in other industries in that region) the use of children violated internationally recognized labor standards and our own code of conduct, the Reebok Human Rights Production Standards.

We learned that when children are used to stitch soccer ball panels, they are outside the factories, in homes and small stitching centers scattered across 250 square kilometers surrounding the industrial town of Sialkot. Under these conditions, it has been impossible to adequately monitor whether or not children were stitching balls.

Most knowledgeable individuals, non-governmental organizations and social service providers in Pakistan want U.S. companies to continue buying soccer balls made in Pakistan. Ceasing to source balls in Pakistan would cause additional hardship for the very workers and their families we are seeking to protect.

Industry alone cannot alleviate the conditions that give rise to child labor, although we feel we can and must do our part.

After soliciting a number of proposals from soccer ball manufacturers in Pakistan, Reebok has reached an agreement with Moltex Sporting Goods (PVT) Ltd. and Reed and Associates to establish a new manufacturing facility. Reed and Associates is a French-based company specializing in research and development, sourcing and manufacturing of soccer and rugby balls. Moltex is a Pakistani soccer and rugby ball manufacturing company. The agreement has three major components:

- Moltex and Reed have agreed to begin immediate construction on a new soccer ball facility that will be dedicated to the production of Reebok balls. All work on the balls will be performed on this factory site. All workers will be age 15 (the legal working age in Pakistan) or higher. Should the minimum age for workers in Pakistan be raised, the higher age will apply to factory workers.
- Reebok is making a commitment to support educational and/or vocational training for children in the soccer ball manufacturing region of Pakistan. We are keenly aware of the impact the changes we contemplate will have on children and their families currently stitching soccer balls. Experts agree that the antidote to child labor is education. Reebok will support educational

and/or vocational training programs in Pakistan, thus contributing to a more secure, hopeful future.

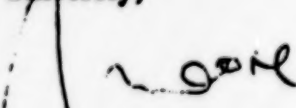
- Reebok will undertake a vigorous monitoring program to ensure that: a/ children are not entering the workplace, and b/ soccer ball panels are not leaving the factory to be stitched by children. We are now involved in the process of determining what kind of monitoring would be most effective to achieve this end.

We are confident that this agreement will give us the framework to work with our Pakistani partners to commence initial production later this year and to achieve full production capacity by early 1997.

To those who wonder whether there are additional costs associated with in-factory stitchers the answer is: "yes." Nevertheless, we are committed, as are our factory partners, to retaining our competitive place in the marketplace, delivering the high quality balls our consumers have come to expect and living up to our human rights production standards.

There is much to be done to implement this plan. We know it will not be easy and that there will be bumps along the road. Yet we know we cannot remain in the soccer ball business until and unless we find a way of doing business that allows us to live up to our commitments. We believe this arrangement can do that.

Sincerely,



Peter Moore
Senior Vice President
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U.S. / GUATEMALA LABOR EDUCATION PROJECT

Proyecto Para Educar Sindicalistas Norteamericanos Sobre la Situación Laboral de Guatemala

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TESTIMONY FOR THE INTERNATIONAL CHILD LABOR STUDY

U.S. DEPARTMENT OF LABOR

BUREAU OF INTERNATIONAL LABOR AFFAIRS

JULY 10, 1996

from

STEPHEN COATS

EXECUTIVE DIRECTOR

U.S./GUATEMALA LABOR EDUCATION PROJECT

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I. Introduction

The U.S./Guatemala Labor Education Project (US/GLEP) is an independent non-profit organization that for the past five years has been working to support the basic rights of workers in Guatemala. A major aspect of our work has been in the area of U.S. corporate responsibility, including adoption and implementation of codes of conduct, in Guatemala's apparel and coffee industries. US/GLEP has maintained a full-time staff person in Guatemala for nearly four years. We therefore have extensive knowledge regarding the impact of U.S. corporate codes of conduct in the case of Guatemala.

II. The Guatemala Maquiladora Sector

While there are no comprehensive surveys of working conditions in Guatemala's maquiladora sector, a limited survey we conducted in 1994 and subsequent research we have conducted on working conditions at specific factories reveals that the maquila sector is characterized by extensive violations of Guatemalan labor law and internationally-recognized worker rights.

In November 1994 we conducted interviews of workers at 16 maquiladoras in the Guatemala City area. All maquilas in the survey manufacture apparel for export to U.S. companies. Labels reported by the workers included *Levi's*, *Cherokee*, *Van Huesen*, *Montgomery Ward*, and *Leslie Fay*. Workers reported violations at every maquiladora included in the survey. These violations included unpaid overtime, underpayment of wages, forced overtime, physical abuse, sexual harassment, denial of the right to organize, and employment of child labor.

Subsequent interviews conducted in 1995 and 1996 with workers at a half-dozen maquiladora factories showed no significant change in the level, frequency or type of violations.

Moreover, in 1995 violence was directed against several workers who were seeking to organize unions in the maquila sector. This violence included the first murder of a maquila trade union activist, abductions, physical assaults and death threats. All victims of this violence were trade union activists at maquilas producing for U.S. companies, including *JC Penney, Sears, Kmart, and Eddie Bauer*.

III. Monitoring and Enforcement of Codes of Conduct in the Maquiladora Sector

The pervasive nature of violations in the maquila sector, nearly all of whose production is exported to U.S. firms, many of which have codes, is clear evidence that codes of conduct are not yet being monitored and enforced in a way as to have a positive impact in Guatemala's maquiladora sector.

While Guatemalan-based producers are aware of these codes, there is virtually no monitoring with respect to compliance. According to Guatemalan-based contractors, for example, JC Penney makes no effort to enforce its code of conduct. In a July 3, 1995 Wall Street Journal article, one contractor was quoted as saying, "We've never had any request from Penney about how we pay or treat workers--just the quality of our production." Another owner added, "Penny's? They don't really check."

Our experience confirms that very few U.S. companies take a proactive role in enforcing their codes of conduct. Enforcement is generally reactive only, when companies respond to third party reports of violations.

The only U.S. companies we know that have taken proactive steps to ascertain compliance with their codes are *Levi's* and *Phillips-Van Heusen*. Both companies periodically send representatives to inspect whether factories are in compliance. We have little knowledge of

Levi's practice in Guatemala but significant knowledge with respect to PVH. Workers tell us that in the case of PVH, contractors and local subsidiaries are notified in advance of the inspection visit, and that local management uses the advance notice to get rid of minors and correct health and safety violations. It goes without saying that advance notice inspections are unlikely to yield objective assessments of working conditions.

Since 1991 we have followed closely the efforts of Phillips-Van Heusen to enforce its code of conduct with respect to its two wholly-owned factories in Guatemala, Camisas Modernas I and II. We have had a tense relationship with PVH because its anti-union policy and practice has been effective in destroying several union drives over the past six years (PVH's code does not include respect for freedom of association). Workers have regularly reported serious violations at both plants, including death threats, discrimination, threats to fire workers and to close the plants. PVH, usually after checking with local management, invariably denies these violations. The pattern is that workers tell us of violations, we report them to PVH, PVH checks with local management, local management denies the workers' reports, and PVH backs local management. It is our belief that PVH management in New York is unable to obtain an accurate assessment of the degree to which its code is being complied by relying on the reports of local management and inspections carried out with advance notification.

Wal-Mart's standing policy in response to learning of violations by its contractors is to immediately cancel its orders. Wal-Mart does not issue any prior warning or provide a probationary period for contractors to come into compliance with its code, contrary to the interests of the workers Wal-Mart's code is intended to protect. In the worst cases, Wal-Mart's policy has led to fired workers. For example, after a *Wall Street Journal* reporter found underage workers at the Sam Lucas factory in Chimaltenango, Guatemala in June 1995, Wal-Mart cancelled its order even though the production manager dismissed all

workers who couldn't produce documentation proving them of age. Sam Lucas had to fire 300 workers in response to loss of business.

Wal-Mart's immediate termination approach would have more integrity if the company had a monitoring system. As is, the approach has a paradoxical if not perverse impact of silencing efforts to bring violations to light for fear that a cancelled Wal-Mart contract would lead to unemployed workers, as experienced by the Wall Street Journal reporter.

Over the years we have received reports of violations from workers at several different factories producing for Wal-Mart. These include illegally fired workers at Confecciones Unidas and physical abuse of workers at the East-West plant, as well as child labor and 90-hour work weeks at Sam Lucas. Wal-Mart usually responds promptly to our reports of violations. Its actions helped lead to reinstatement of the fired workers at Confecciones Unidas and the ending of physical abuse at East-West. But 300 workers lost their jobs at Sam Lucas because of Wal-Mart's action.

The most important lesson from these cases is that Wal-Mart is not policing its contractors. The evidence also indicates that Wal-Mart does not engage in careful prior screening of potential contractors to determine whether or not factories meet the criteria established in its code for suppliers. For example, the Sam Lucas factory has long had a reputation among maquila workers and Guatemalan trade unions for abusive conditions, a reputation which apparently escaped Wal-Mart's and its' suppliers screening process.

The most favorable "code of conduct" enforcement experience we have had in Guatemala's maquiladora sector is with the *Gap*, whose surprise inspection of its Guatemalan contractor Disenos y Maquilas (DyM) in late 1995 found visible violations. Workers had also been trying to organize a union at DyM for several years and had reportedly encountered violent

intimidation and other illegal union-busting. The Gap notified Disenos y Maquilas that further work would be dependent on coming into code compliance within 90 days. This approach, giving a code-violating contractor a specified period to come into compliance rather than Wal-Mart's automatic cut-off, represents an effort to use a code of conduct to ensure proper treatment of workers rather than use it simply as a public relations defense mechanism.

It should be noted that the Gap's surprise inspection of its contractor in Guatemala came only in the aftermath of the National Labor Committee's reports of violations at a Gap contractor in El Salvador. Moreover, the Gap clearly did not do effective screening before signing up with DyM. A few months prior to obtaining the Gap contract, DyM company management had been accused in both U.S. (e.g. the Wall Street Journal) and Guatemalan press of violent intimidation of workers and massive firings, with numerous cases pending before the courts.

Kmart and *JC Penney* labels are also frequently found at factories where workers report violations. *Kmart* rarely responds to our reports of violations; *Penney's* usually says it will look into the reports but frequently responds that the contractor denies the allegations, leaving *Penney's* in a position where it is unable to ascertain the truth and is therefore unable to act.

IV. Child Labor in Guatemala

Child labor violations are present but not extensive in Guatemala's maquiladora sector. Most workers at most maquilas where we have conducted interviews over the past several years usually report that there are several minors illegally employed, although in a few cases there are many more. Under Guatemalan law, children under the age of 14 usually cannot be employed while 14- to 16-year olds cannot be employed more than 7 hours a day and only

with permission from both parents and the Labor Ministry. Child labor violations are, of course, much more extensive in the agricultural sector. We have found significant child labor violations at every coffee plantation where we have conducted research. This is particularly true during the harvest season when typically entire families with children as young as six and seven years old are engaged in picking coffee cherries. Approximately half of all Guatemalan coffee is exported to the U.S.

V. Coffee Sector

The Starbucks Coffee Company adopted a code of conduct in October, 1995, with Guatemala slated to be the first country for implementation. Starbucks, by its own admission, has not begun to implement its code. This has been confirmed in interviews we recently conducted with workers on plantations known to supply Starbucks in which we learned that there has been no improvement in working conditions, that child labor is as prevalent as before the code was issued, and that the minimum wage is being violated.

VI. Necessary Components of an Effective Code of Conduct and its Enforcement

Codes of conduct for suppliers are, of course, relatively new. There is no effective model yet available and both employers and workers are still learning how to ensure that codes of conduct are enforced. Based on our experience to date in Guatemala, we would recommend the following:

- o Codes of conduct must include respect for freedom of association, the right to organize and the right to collective bargaining.
- o A socially-responsible criteria for wages would be payment of a living wage,

sufficient to meet minimal basic human needs. Codes of conduct that set wage criteria to the "prevailing local wage" in countries like Guatemala simply codify poverty-level wages that would embarrass any company in the U.S. Meeting "prevailing local wages" in Guatemala, for example, does not indicate that a company is a responsible corporation but is one that profits from the decades-old repression of workers in a country where 80% of the population lives in poverty.

- o Spanish-language copies of the code should be made available to all workers at plants covered by the code. There should also be an oral presentation to the workers regarding the content of the code and a secure system for workers to report violations without fear of retribution.
- o Monitoring and enforcement of codes of conduct require an independent monitor. There is no evidence in Guatemala that codes can effectively be enforced and monitored by the companies themselves.
- o Independent monitoring must have a local component, a human rights or religious organization to which workers can feel free to report violations. Workers are unlikely to report violations to foreigners they do not know or trust.
- o The independent monitoring system must include more than surprise inspections. Many violations of codes are not observable during on-site inspections (e.g. even surprise visits by independent inspectors are unlikely to witness physical abuse or sexual harassment in the factory, let alone activities outside the factory or most forms of illegal union-busting behavior.

VII. U.S. Laws to Encourage Elimination of Child Labor Exploitation

While codes of conduct have proven useful in a limited number of instances in Guatemala, and while we believe there is significant potential to make codes of conduct much more effective, codes of conduct in large part reflect an abdication of governmental responsibility to ensure respect for worker rights and ensure corporate responsibility. Codes cannot and should not be a substitute for U.S., national and international laws that enforce respect for worker rights.

Our own experience in Guatemala is that U.S. trade law provides the most effective U.S. leverage for supporting respect for worker rights. US/GLEP has been a Generalized System of Preferences worker rights petitioner since 1991 and found that the worker rights provisions of the GSP program offers a much more effective source of leverage for respecting worker rights than company codes of conduct. We therefore would recommend the following changes:

- o An amended GSP worker rights provision, providing for the ability of USTR to suspend duty-free treatment for particular products as well as for specific worksites.
- o A similar provision for the Caribbean Basin Initiative and other bilateral trade and aid programs.
- o Stronger efforts to add worker rights conditions to the WTO agenda.

Broken Rules

Conduct Codes Garner Goodwill for Retailers, But Violations Go On

Factories in Latin America Still Hire Minors Illegally And Unionists Get Killed

Drastic Solution at Wal-Mart

By **BON ORTEGA**

GUATEMALA CITY — Whenever it awards contracts to apparel makers here, J.C. Penney Co. makes them sign a code of conduct forbidding any violation of local labor law, including use of underage workers. "Our suppliers know how strict we are regarding these conditions," says Jose Asensio, director of Penney's buying office here.

Yet the codes of conduct at Penney and at many other American retailers are proving problematic. Virtually everyone applauds the intent of the codes, and the stated penalty for violations — immediate severance of contract. But virtually no one applauds the way the codes are enforced. Even apparel makers, such as those who work for Penney, are unimpressed.

Just Quality

"Penney's? They don't really check" on workers' ages or factory conditions, says Michael Patillo, whose apparel plant here makes skirts for Penney's Worthington and Via Sant Andrea labels.

"We've never had any request from Penney about how we pay or treat workers — just the quality of our production," says Dong Joon Kim, manager of Lindotex SA, a plant near here that makes shirts for Penney.

Penney inspectors are "interested in a high-quality garment, fast delivery and cheap sewing charges — and that's all," says Sam Lucas SA's production manager Fernando Kim.

Visits to factories supplying Penney readily turned up workers under the legal age of 14, workers paid less than the minimum wage of \$2.80 a day and workers forced to put in unpaid overtime for work days as long as 15 hours. But at Penney's buying office here, Mr. Asensio concedes he has never reported to his superiors any supplier violations of the company code. And Penney says it is difficult to enforce a code all over the world.

The lax enforcement at Penney and most other retailers is drawing criticism from many observers. They say the codes — enacted to counter publicity of horrific working conditions in emerging nations — represent little more than public-relations gambits, designed to coax Americans into believing they can shop with a clear conscience.

Enforcement Problems

"Setting standards is 5% of the work; ensuring compliance is 95%," says Simon Billenness, a researcher at Franklin Research & Development Corp., a self-described "socially responsible" investment firm in Boston that helped Wal-Mart Stores Inc. develop its code for suppliers.

Some manufacturers try to enforce their codes directly. Levi Strauss & Co., for instance, employs inspectors expressly to police working conditions in developing-world factories. But even Levi Strauss concedes that its inspectors miss much because, to avoid offending factory owners, they don't delve too deeply.

Retailers say they can't realistically be expected to enforce the codes. Big chains such as Penney and Dayton Hudson Corp.'s Target stores contract with scores of suppliers, who in turn subcontract with factories around the world. "I don't want to sound callous, but we probably have 150 major contractors, and sometimes we don't know which factory something is coming from," says James Davine, director of imports for the Target chain.

In light of that, retailers such as Penney concede that their enforcement efforts aren't always effective. "We do business in over 50 countries, with literally thousands of individual factories," says Kenneth Russo, vice president of sourcing, at Penney headquarters in Dallas. Company inspectors are primarily trained to examine the quality of garments, he says; for them "to be alert and aware of all the issues we're faced with around the world, well, it's just very difficult."

Other retailers make no attempt at enforcement. "We don't have a fleet of people to inspect plants — we have to rely on our contractors" to police themselves, says Mr. Davine of Target, which doesn't monitor compliance with its code.

Making a Difference

At Wal-Mart, officials occasionally conduct inspections, but largely depend on suppliers to honor the codes. "Obviously you can't be in every place at all times," says Don Shinkle, a vice president. "We have to rely on our vendors to make sure our standards are met fully."

Visits to 14 apparel-making plants here suggest that the codes do make some difference. In a country with a long history of child labor, none of the seven- and eight-year-old workers common in some other industries were found in the plants. And in a country where the minimum wage — currently \$2.80 a day — has long been ignored, many apparel workers appeared to be earning that much or more.

But at the same time, violations of local labor law — and therefore of retailers' codes — appear to be rampant. The right to unionize is flagrantly trampled. And government labor officials estimate that half the 80,000 workers in the apparel industry

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are paid less than minimum wage.

At maquilas, or factories, exporting clothes to the U.S., "workers often aren't paid for overtime," says Guatemalan labor inspector Juan Castillo Rodriguez, sitting at his battered desk in a grimy office here. "It's common for these companies to close the doors and force workers to stay all night working," he says, shrugging. "There are many minors working."

Says Ana Mendoza de Rivera, chief of the Labor Ministry's child-worker protection office: "We don't have the people to investigate" what she estimates to be 300,000 illegally employed minors in Guatemala in all industries. Her office, with a staff of five, has no telephone.

While exploited workers are free to file complaints, a visit to the nearby federal labor court illustrates the futility of such an act. In the clerk's office, hundreds of pending cases, unfilled, spill off tables and gather in drifts along the floor. Neither of two labor courts established in the past three years has resolved a case. Mr. Castillo blames corruption and red tape.

Thus, for factory owners, a prime incentive to obey labor laws is avoiding retailer wrath. But owners say that retailers pressure them relentlessly to pare costs to the bone — so that obeying costly laws can cost them business. "The ethics of the world market are very clear," says Carlos Arias Macelli, owner of a maquila here that makes apparel for Penney. Retailers and manufacturers "will move wherever it's the cheapest or most convenient to their interests."

Union Deaths

Unions are often seen as a threat to profits and have received a rough reception in Guatemala. In recent years, more than 40 unionists have been murdered or "disappeared," including several who worked for makers of U.S.-bound apparel, according to human-rights organizations.

Workers claim that when they tried to organize last fall at Disenos y Maquilas SA, a Guatemalan factory making clothes for Penney and Kmart Corp., an assistant plant manager and an armed guard drove seven union leaders into the countryside and ordered them to sign resignation papers. "They said we would disappear or be killed if we didn't sign," said Jose Amilcar del Cid Arias, one of the seven.

Penney, told of the incident by rights activists, asked its supplier, New York-based GHR Industries, to look into the matter. GHR Vice President Robert Rahn, who also is president of Disenos y Maquilas, had the factory prepare a response that he forwarded to Penney, rejecting the allegations. He says, "I've been in that factory enough to know that if there were any human-rights violations, then I've been walking around with blinders on." Penney accepted GHR's assurances.

Of the 400 Guatemalan maquilas that last year exported \$591 million of clothes to the U.S., government officials say one of the most law-abiding is Sam Lucas SA. Big as a football field, this plant sits in a walled compound high in the dusty Sierra Nevada, along the highway to Guatemala City. Inside the plant, hundreds of workers hunch over their machines, hustling to meet production quotas on various lines producing women's wear.

Its South Korean owners came to Guatemala to take advantage of some of the lowest wages in Central America. In the past year, Sam Lucas boasted contracts with Penney and Leslie Fay Inc., the American manufacturer, which subcontracted to Sam Lucas the making of Wal-Mart's "White Stag" women's wear line. Both companies required Sam Lucas to sign a code of conduct concerning its treatment of workers, says Mr. Kim, the production manager.

Asked whether his customers have made sure he was obeying the codes, Mr. Kim says that Penney and Leslie Fay inspectors pass through almost daily, but never ask about workers.

One recent evening, before they set off for the nearby village of Chimaltenango, dozens of Sam Lucas workers gather to

discuss working conditions at the plant. They say they are beaten for working too slowly. To fill rush orders, they say, they must work as many as 90 hours a week — or lose their jobs. And they say they are forced to pay for medical-insurance cards that they rarely receive.

Mr. Kim denies all those charges.

No Proof Required

Several girls who work at Sam Lucas say they lied about their age when they applied and weren't required to produce any proof they were 14, the legal working age. They say they are 13. Sitting on one of four beds crammed into a tin-roofed, one-room shack she shares with 11 other family members, 13-year-old Ana Par says she would like to be in school. But her father considers school a luxury the family can't afford.

Mr. Kim hasn't required age documentation, because workers often don't have it. "We always ask, and they always say they're 16 or 17 years old," he says.

Leslie Fay officials say they have no choice but to rely on the information they are provided by the factories. "The [pay-roll] reports that we get don't show any minors," says Kathryn D. Connors, a senior vice president. Leslie Fay's own quality inspectors regularly visit the plant; while they don't check documents or question workers, by just making those visits "maybe we're preventing eight- and nine-year-olds from working," she says.

At J.C. Penney, Mr. Russo says he will look into the report of minors working at Sam Lucas. He says the company has punished violators in the past and won't hesitate to do it again. "Whenever a situation is brought to our attention, we ask our suppliers to investigate," he says.

Wal-Mart takes a much tougher tack. When told that underage workers have been found at Sam Lucas, Mr. Shinkle, the vice president, says Wal-Mart will immediately cancel its order from the factory. "When [other contractors] read an article saying the plug was pulled, it'll make devout Christians out of a lot of these people," he says.

"Our policies are written in terms anyone can understand, and these [contractors] have agreed to comply," he says. "If a problem comes up, they don't just lose the contract, they lose the entire business relationship." Since the company can't police all the overseas factories producing goods it sells, when a reporter or anyone else points out a problem, he says, "the penalty has to be severe."

Wal-Mart doesn't punish the supplier that subcontracted with Sam Lucas — even though the supplier, a Leslie Fay subsidiary called Next Day Apparel Inc., is supposed to be obligated to enforce Wal-Mart's code. Mr. Shinkle says that Wal-Mart is satisfied with Next Day's efforts to comply with the code, and that "the factory has to take responsibility."

Dominican Gain

Jerry Pomar, president of sales and production at Next Day, says no one at Sam Lucas had looked obviously underage, and that Next Day, which had used the factory for two years, had accepted as accurate Sam Lucas's personnel records. Now, he says, they plan to shift production to a factory in the Dominican Republic.

In a desperate effort to avert the loss, which he says would close down five of the factory's 12 lines and force him to fire 300 workers, Sam Lucas's Mr. Kim orders all 1,200 workers to produce proof of age, dismissing those who can't provide documentation. This, he says, will be the factory's new policy.

Mr. Pomar isn't swayed. "You have to look at it from our side," he says. "We signed documents with Wal-Mart saying we'll police the factories. Maybe our people didn't police it properly, but, quite frankly, if there's bad press we have to approach this from the standpoint that there shouldn't have been a problem in the first place."

"They're in a tough position," he says of Sam Lucas. "But so are we."

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Statement by UNITE
(Union of Needletrades, Industrial and Textile Employees)

Child Labor in Imported Products

Bureau of International Labor Affairs
U.S. Department of Labor

June 28, 1996

UNITE appreciates the opportunity to comment on the Department of Labor's preparation of the third report in its International Child Labor Study series. The first two reports have made a valuable contribution to understanding the problem of the use of child labor in products exported to the United States. The scope and complexity of this practice and the deeply rooted resistance to eliminating it, despite numerous international agreements and declarations of intent, were thoroughly and vividly documented in the earlier studies.

As the studies demonstrated, child labor is not new. What is new is the globalization of production, which all too often has incorporated child labor into an international economy that has grown more rapidly than the laws and standards required to regulate it. As these and other studies have also shown, child labor usually occurs as one element in a pattern of systematic violation of workers' internationally recognized rights--a living wage, health and safety standards, prohibitions against forced labor and discrimination, freedom of assembly and organization. While it is certainly appropriate to focus on the unconscionable exploitation of children, proposed remedies must consider the linkage between child labor and other violations of workers rights. The solution to the problem is not necessarily sequential: first, child labor, then a living wage, then freedom of association, etc. The most effective measures to combat child labor will simultaneously impact the poverty and oppression of societies that permit and sometimes encourage the systematic violation of workers' rights.

UNITE's views on this subject are shaped by both its recent experiences in the international arena and its historical experience in the campaign early in this century to eliminate child labor in the United States. Through a combination of government policies and legislation, public awareness and pressure and the empowerment of workers through unions, child labor in apparel and most other industries in the United States was effectively eliminated. A similar combination of forces will be required to meet the challenge of eradicating child labor in the new global economy.

Most of UNITE's work in the international arena is coordinated with its international trade secretariat, the International Textile, Garment and Leather Workers' Federation (ITGLWF). At its recently concluded World Congress in April of this year, the ITGLWF approved a program of action on child labor. The following summary of the program reflects UNITE's general approach to the problem. (The full text of the program, which has been jointly endorsed by the International Federation of Commercial, Clerical, Professional and Technical Employees, is appended to this statement.)

- Increase awareness of the problem among members, enterprises and the general public, including the exchange of information and experiences at the international, national and community level;
- Urge governments to adopt policies that assist developing countries in alleviating poverty, promoting adult employment and providing educational, health and other services on which families and children are particularly dependent;
- Insist that inter-governmental organizations such as the World

Trade Organization and the International Labor Organization actively support efforts to eradicate child labor and develop mechanisms to enforce existing laws and international agreements prohibiting the practice;

- Identify products produced for export by child labor, the firms that purchase, sell and distribute such products, and by means of public campaigns and other measures ensure that they are not traded.

- Secure from leading manufacturers and retailers a Code of Conduct with effective monitoring to ensure that such companies do not directly or indirectly, through subcontracting, licensing or other relationships, use children in the production process.

UNITE has supported and participated in several campaigns with the purpose of raising public awareness of imported goods produced by children. These activities sometimes grow out of industrial disputes within the United States, since many of the 285,000 workers UNITE represents are forced to compete against child labor and other sub-standard conditions of production. These efforts usually involve visits of individuals or delegations of workers between the United States and the developing country in which child labor exists in the apparel industry. Such exchanges are valuable in developing information regarding conditions overseas and in educating the public about them. For example, the Guatemalan woman who testified before a Congressional committee in June 1994, cited on page 69 of Volume I of *Sweat & Toil*, had come here as part of such an exchange.

But two recent and highly dramatic campaigns in which UNITE was involved had nothing to do with ordinary labor-management conflict. The GAP and the Kathie Lee Gifford/Wal-Mart controversies illustrate public sensitivity to this issue and public insistence that meaningful action be taken. The GAP experience has been covered quite thoroughly in testimony by the Interfaith Center on Corporate Responsibility. UNITE concurs in the assessment of its significance as a bold step toward the effective monitoring of a company's code of conduct. What is not widely known is that Kathie Lee Gifford agreed to a similar monitoring program for plants producing her clothing line (a copy of the agreement is appended to this statement).

The issue that both of these experiences raises is the corporate code of conduct and its enforcement by manufacturers and large retailers that have increasingly taken on the function of manufacturers.

Most large retailers and apparel manufacturers have corporate codes of conduct that condition their relationships with offshore producers. The language of these codes varies, but many contain specific prohibitions against doing business with offshore producers who utilize child labor. A corporate code of conduct, however, is a voluntary instrument and does not require independent verification of compliance. In practice, the codes cover a broad spectrum: from damage-control, public relations devices to serious efforts at consistent enforcement. While corporate codes have been useful in articulating standards, their overall impact on improving conditions in the industry has been negligible.

Some codes of conduct in the apparel industry are not voluntary. They are incorporated into contractual agreements. UNITE's two predecessor unions, the Amalgamated Clothing and Textile Workers Union and the International Ladies' Garment Workers' Union, negotiated such provisions prior to their merger, in 1993

and 1994, respectively, with major employer associations (the texts of these agreements are appended). These provisions, which are still in force but are not identical, require companies to notify the union of their use of offshore producers, to verify that offshore producers understand and are in compliance with the Code, and establish a procedure for resolving disputes arising from the implementation of this provision of the contract. While far from perfect and still somewhat untested, this contractual obligation on the part of corporations has been effective in helping to identify and eliminate instances of child labor and other violations of workers' rights.

This underscores the importance of strong trade unions in the fight against child labor. ACTWU and the ILGWU were able to leverage their position at home in an effort to curb worker abuse abroad. Effective unions in countries that export apparel to the United States would have a major positive impact on child labor and working conditions in general in these countries.

Another major obstacle encountered by UNITE and its international affiliates to achieving a lasting impact on child labor and other illegal labor practices in countries producing apparel for export to the United States has been the lack of adequate local governmental infrastructure and sometimes the will to meet this challenge. But several recent developments over the past year suggest a promising new stage, a kind of evolution of the code of conduct, in setting and enforcing international labor standards, with a special emphasis on eliminating child labor.

The agreement reached with the Bangladesh Garment Manufacturers and Exporters Association, the RUGMARK campaign, the GAP monitoring program and the Kathie Lee Gifford/Wal-Mart response to problems uncovered in its production facilities all introduce an important new principle into the code of

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conduct concept. All call for, and in the first three cases have actually deployed, an independent monitoring mechanism administered by credible international, human rights or other non-governmental organizations. It is too early to tell how effective these programs will prove to be, but there is reason to hope that in the light of history they will be viewed as prototypes of a systematic, world-wide campaign to eradicate child labor. It is noteworthy that public pressure played a significant role in each of these advances.

Corporate codes of conduct are a useful starting point, but without credible third-party monitoring, accompanied by access to relevant production information and a legally binding dispute resolution procedure, it is doubtful that by themselves they will have a significant impact on the problem of child labor.

Even these measures, however, can not substitute for realistic and effective legislation, both at a national and international level.

It is essential that the U.S. government continue to press in all international economic and financial institutions for a social clause, including the prohibition on child labor as defined in ILO Convention 138, linked to trade and aid. The failure of the United States to ratify Convention 138 is a serious liability in furthering this campaign and should be corrected. This is a principle that must be put into practice and is the single greatest leverage on the problem. This applies especially to the World Trade Organization and the International Labor Organization, but closer to home it means strengthening this linkage in NAFTA and the expected renewal of the Caribbean Basin Initiative as well as other regional trade agreements to which the United States is party.

Absent comprehensive and enforceable international agreements, it is appropriate to consider domestic legislation as a step forward.

The Harkin-Frank "Child Labor Deterrence Act of 1995" (S.706, H.R. 2065) would be a significant advance and UNITE strongly supports its passage. The Moran "International Child Labor Standards Act" (H.R. 3294) would also be useful. Several Members of Congress have expressed interest in labeling bills, generally modeled on the tuna-dolphin legislation. While some form of apparel labeling would be helpful, to supplement the union label, it must be borne in mind that the global apparel industry, with over 70 countries and millions of workers producing for export, is much more extensive and difficult to monitor than the geographically limited and highly visible tuna fishing enterprise.

UNITE is interested in working with government, industry and consumer groups to explore the development of a credible labeling system to assure consumers that the clothes they are buying have not been made by children or in otherwise exploitative conditions. It is clear, however, from the well documented work of the International Child Labor Study itself as well as numerous statements made at this hearing, that we are still a long way from being able to set up such a system.

Child labor is widespread and endemic. It will require a tremendous effort by a combination of government, business, labor, consumers, religious and community leaders to eradicate this scourge. Raising the issue so publicly is a first important step. UNITE looks forward to being part of the continuing process of finding a solution.

International Federation of Commercial, Clerical, Professional and Technical
Employees, FIET

International Textile, Garment and Leather Workers' Federation, ITGLWF

AGREEMENT ON CO-OPERATION

TO

COMBAT CHILD LABOUR

The International Federation of Commercial, Clerical, Professional and Technical Employees FIET and the International Textile, Garment and Leather Workers' Federation ITGLWF express their firm commitment to combat the widespread abuse of children as labourers and have agreed on joint efforts to intensify the international struggle to abolish child labour.

The use of child labour is an abuse against the human rights of the children concerned. They are deprived of their fundamental right to a decent childhood and education. Child labourers are subject to gross exploitation and to serious dangers to their health and safety. The international trade union movement has a moral responsibility to act decisively against this violation of universal human rights.

No one really knows how many child labourers there are in the world. The International Labour Organisation ILO estimates that they are between 100 and 200 million, which is a conservative estimate. There are parts of the developing world where one child out of five has to work, but child labour is a growing problem also in industrialised countries.

Most children work because their families are poor. Frequently, their working conditions are extremely unhealthy and dangerous. Many children work because they have no access to education, there may not be schools or school fees may be too high for the families to afford. When adult unemployment is high, child labour becomes widespread as families struggle for their survival.

The main cause for the abuse of children as workers is, however, that unscrupulous employers take advantage of the economic and social problems of families by employing children instead of adult workers. The use of child labour is indeed a major cause for adult unemployment in the countries concerned. Thus, child labour perpetuates itself.

The lack of government efforts to address the problem of child labour makes it possible for employers to continue their abuse of children as workers. ITGLWF and FIET call on all Governments, both in developing and industrialised countries, to ratify the ILO Convention Concerning Minimum Age for Admission to Employment (No 138) of 1973, to adapt their national legislation to this Convention and to ensure that its provisions are fully implemented. As an immediate measure, Governments should effectively prevent the recruitment of new child workers.

The textile, leather and garment industries in some countries have a particularly high occurrence of child labour. Often, these children are bonded labourers and many of them start working when they are only four or five years old.

A major part of the products of child labour in the textile, leather and garment sectors are marketed to the industrialised countries, either as consumer products or for use by industry as semi-manufactures. ITGLWF and FIET and their affiliates can therefore play an important role in combating child labour, through monitoring and influencing purchasing decisions and policies by producers, importers, wholesalers and retailers.

ITGLWF and FIET call on their affiliated trade unions to make concrete contributions to the struggle against child labour, through measures such as

- promoting the awareness of this problem among members, enterprises and the general public,
- demanding that their governments adopt policies to influence the economic restructuring programmes in developing countries so that they do not negatively affect education, health and other services on which families and children are particularly dependant,
- demanding that governments promote and actively support concrete action to eradicate child labour, in inter-governmental organisations and bodies such as the World Trade Organisation WTO, the International Labour Organisation ILO and the European Union,
- committing ourselves to active measures to identify products produced by child labour and campaign to ensure that they are not traded,
- calling for development assistance projects to be implemented with the express purpose of alleviating poverty, promoting adult employment, securing all children access to education and influencing other conditions with a view to the gradual elimination of child labour,
- implementing and supporting development assistance activities on their own, with the aim of improving the abilities of trade unions and other organisations in the countries concerned to contribute to the struggle against child labour,
- making more difficult and eventually impossible the use of child labour as an element of competition, by measures to terminate the purchase and distribution of such products by enterprises on their home markets or internationally.

ITGLWF and FIET commit themselves to a joint campaign to eliminate child labour from the textile, leather and garment industries. The campaign, which will be implemented in close co-operation with the International Confederation of Free Trade Unions ICFTU, will comprise the following elements:

- FIET will continue its negotiations with the European commerce employers' association EuroCommerce about joint efforts to support the combat against child labour,
- FIET will approach leading wholesalers and retailers proposing agreements on concrete measures to curb the purchase of products of child labour,

- ITGLWF will hold negotiations with employers' organisations in the textile, clothing, shoe and leather sectors at regional and international level to secure agreements aimed at eliminating child labour in the sector.
- ITGLWF will aim to secure from leading manufacturers support for a code of conduct aimed at ensuring that such companies do not directly or indirectly, through sub-contracting, licensing arrangements or other production relationships, use children in the production process.
- FIET and ITGLWF will initiate a campaign for the removal from European markets and from other industrialised countries before 1 July 1996 of all hand-knitted carpets that are not labelled with the Rugmark label,
- FIET and ITGLWF will conduct focused campaigns against companies which continue to abuse child labour or which continue to market products of child labour or which refuse to commit themselves to combating child labour,
- FIET and ITGLWF will conduct joint campaigns in the producer countries, in co-operation with affiliated trade unions, with the aim of gradually abolishing child labour,
- FIET and ITGLWF will include the struggle against child labour as a priority issue in all their education and development programmes.

ITGLWF and FIET will jointly approach the European Commission, calling for measures to ensure that the conditions under which consumer goods are produced for the European markets are sufficiently monitored, in order to prevent the exploitation of children as child labourers. Similar approaches will be made in other regions of the world.

from: Kathie Lee Gifford
contact: Rubenstein Associates, Inc.
Gary Lewi 212 843-8010

UNITE
contact: Jo-Ann Mort
212 332-9365

Lafayette Avenue Presbyterian Church
Rev David Dyson 718 625-7515

National Labor Committee
Charles Kernaghan
212 929-6072

June 5, 1996

**Statement Following a Meeting
at the Residence of Archbishop Cardinal O'Connor**

At a ninety minute meeting held at the Manhattan Residence of Archbishop Cardinal O'Connor, Kathie Lee Gifford spoke with 15 year old Honduran maquila worker Wendy Diaz and with leaders of religious, human rights and labor organizations directly involved in ending sweatshop abuses.

In addition to Kathie Lee Gifford and Wendy Diaz, participants in the meeting included Charles Kernaghan of the National Labor Committee, Esperanza Reyes of the Committee for the Defense of Human Rights in Honduras, the Rev. David Dyson of the People of Faith Coalition and Jay Mazur of UNITE. Participants described it as "frank and constructive."

Following their meeting the group agreed to the following communique:

* The group agreed that the challenge of eliminating the sweatshops can only be met when corporations, governments, unions and concerned citizens assume their appropriate responsibilities. By acknowledging the reality of labor abuse in the apparel industry and speaking out against it, Kathie Lee Gifford has admirably met her responsibilities.

* Workers, like those in the Global Fashions factory in Honduras, who insist on exercising their legal and moral rights, should not be punished by losing their jobs when abuses are discovered. Accordingly, Kathie Lee Gifford believes an independent monitoring program that provides an initial warning to manufacturers should be implemented so that abuses can be ended and jobs can be protected.

* Kathie Lee Gifford agreed that she would encourage Wal-Mart to return garment manufacturing to the Global Fashions factory providing that conditions at the plant consistently meet standards that protect labor and human rights and that conditions are monitored by independent organizations such as The Committee for the Defense of Human Rights in Honduras.

* To assure compliance with respect to human rights, the participants agreed that the nation's retailers and apparel manufacturers should create an alliance that supports the establishment of a program of independent third party monitoring of plant conditions. This would include those factories world wide where Kathie Lee Gifford apparel is manufactured.

* Because of her courageous and outspoken behavior, the well being of Wendy Diaz is of concern to Kathie Lee Gifford and the labor and human rights organizations who met with her today and must be of direct concern to the Honduran government and the Honduran Maquiladora Association.

* All corporations doing business in the Maquila industry in Honduras, and throughout the world, should adapt a business code of ethics that ensures all local laws relating to the protection of minors and working conditions are rigorously enforced and that employees are provided with a living wage that ensures work with dignity.

Following the meeting Kathie Lee Gifford stated, "Wendy Diaz has a message that compels every American consumer, every American manufacturer and every American citizen to ask, 'Under what conditions are the products we buy being manufactured?' Her courage is to be admired while her personal call to action is nothing less than critical for the entire garment industry. Miss Diaz needs to be heard by everyone with a conscience.

Ms. Diaz told Kathie Lee Gifford, "I hope you can help us put an end to all this maltreatment. In that way we can have better treatment, better wages and I would like you to permit independent monitoring of the factory."

Ms. Gifford responded, in part, "I believe all children are God's children. I had no idea what was happening but now that I know I will do everything I can to help you."

UNITE's Jay Mazur stated, "The struggle against sweat shops at home and abroad has won a powerful ally in Kathie Lee Gifford. Let us hope that Wal-Mart and other large retailers will now assume their corporate responsibility to help clean up this industry."

Charles Kernaghan of the National Labor Committee, who brought the plight of Wendy Diaz to members of Congress, commented, "Kathie Lee Gifford deserves tremendous credit and support for the major step she has taken to defend worker and human rights by calling upon Wal-Mart to return to the Global Fashion plant in Honduras and establish independent monitoring. The minute Global abides by the standards of decency in the workplace Wal-Mart's return will be a watershed moment setting new human rights standards for the entire industry."

Kernaghan also offered his apology to Kathie Lee Gifford, "In our efforts to defend the rights of children and women working in the assembly plants in Central America, we never intended to hurt anyone personally and are truly sorry for any pain caused to Kathie Lee Gifford and her family by this work."

The Rev. David W. Dyson, Pastor of Lafayette Avenue Presbyterian Church and a human rights monitor, stated, "The People of Faith Network is relieved that the parties have finally met and dialogued and are now fighting child labor instead of fighting each other. Wal-Mart, and other companies now, have the ability to demonstrate their leadership in working with local monitoring organizations to ensure that these abuses come to an end once and for all."

Dale Ingram, corporate public relations director for Wal-Mart stated, "We have high praise for Miss Gifford and all the parties involved in continuing the dialogue and the resolve to find a common sense long term solution. Once the Global Fashion plant is certified under our strict standards we will agree to put them back on the approved vendor list and give them every opportunity along with our other approved factories throughout the world."

##

CODE OF CONDUCT FOR OVERSEAS VENDORS

Wages:

Vendors shall comply with applicable local labor laws and provide wages and benefits at a rate at least equal to prevailing local standards.

Working Hours:

Vendors shall comply with applicable local labor laws governing working hours and pay.

Forced or Compulsory Labor:

Vendors shall not use forced or other compulsory labor, including labor that is required as a means of political coercion or as punishment for holding or for peacefully expressing political views. Corporal punishment or other forms of mental or physical coercion by vendors shall not be tolerated.

Child Labor:

Vendors shall comply with locally applicable law regarding child labor.

Freedom of Association:

If permitted by local law, vendors shall respect the right of employees to establish and join organizations of their own choosing, and abide by local standards regarding freedom of association. Vendors shall not penalize any employee because of his or her exercise of this right. If permitted by local law, vendors shall recognize and respect the right of all of their employees to organize, bargain collectively, and to strike, and vendors shall not:

- a. discharge or threaten with discharge employees in order to discourage union activity.
- b. close or threaten to close a facility in order to discharge union activity;
or
- c. use force or violence, or threaten to use force or violence in order to discourage union activity.

Discrimination:

Vendors shall comply with all applicable local labor laws governing discrimination in the workplace on the basis of personal characteristics rather than the applicant or employee's ability to do the job. Vendors shall comply with all local laws regarding sexual harassment in the workplace.

Disciplinary Practices:

Vendors shall not use corporal punishment or other forms of mental or physical coercion.

Safe and Healthy Work Environment:

Vendors shall comply with all local laws and regulations regarding safety in the workplace. Vendors which provide residential facilities for their employees must likewise comply with local laws and regulations regarding same.

Monitoring:

The employer shall obtain from each vendor a signed statement indicating its understanding of this Code of Conduct. Annually, employers shall provide the Union with a complete list of its vendors and the products and/or services which they provide to the employer. An employer shall make every reasonable effort to insure that its vendors comply with this code, which may include termination of the employer's relationship with the vendor.

September 30, 1993

ARTICLE - OUTSOURCING

A. Permissible Outsourcing

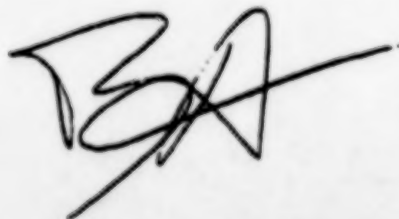
During the term of this agreement and subject to all of the conditions contained herein the Employer shall be permitted to outsource no more than 10% of its current contract year's production. The remaining 90% is to be manufactured in its facilities covered by this agreement. Outward processing production (known as "807" or 807 A" production) will be defined as outsourced products.

Further, outsourcing will not excuse the participating firm from making needed investment in its domestic facilities and equipment. Any Employer who outsources hereby commits to invest in improved physical plant, equipment and EDI systems in its own facilities.

B. Notification

The Employers must give the Union advance notification of its planned outsourcing. Said notification shall include:

1. The number and types of units the Employer plans to outsource;
2. The reasons why the outsourcing is planned;
3. Name & location of the source

A large, stylized handwritten signature, possibly reading 'BA', is written in black ink over the bottom right portion of the document.

The Union shall have the opportunity to find a suitable alternative source within one week of said notice.

C. Guarantees

During any contract year in which the Employer outsources production it shall guarantee that its full time current employees work at least in 1470 hours, in addition to vacations and holidays.

During any such year in which the Employer outsources more than 2% of the domestic production (not to exceed 3,000 units) in the preceding contract year: or more than 1,000 units, whichever is greater, it shall offer individual full-time employees on the payroll as of the date of this agreement, the opportunity to work 1470 hours in addition to vacations and holidays.

For the purpose of this Agreement, a suit or overcoat/topcoat should count a 1 unit: a coat as 2/3 of a unit: a pair of pants as 1/3 of a unit and a vest as 1/6th of a unit.

Such hours as are not worked (1) at the option of the employee or because the employee is not available for employment, (2) because of power failure, fire or other cause over which the firm has no control as defined in the Reporting Pay provision of the Collective Bargaining Agreement (but not including short time for lack of sales), and (3) hours otherwise compensated for pursuant to the firm's Collective Bargaining Agreement with the Union, shall be counted toward fulfilling the guarantees.



The Employer shall make additional contributions to its employees' 401 (k) plans of \$1.00 for each unit outsourced under this Article.

D. Shipping

The Firm shall receive and ship all units subject to this Article only in facilities under contract with the union.

E. Records

The Union shall be provided such records as are required to monitor compliance with the terms of this Article. in addition to all other rights with respect to inspection of records guaranteed to it under the Collective Bargaining Agreement. The information shall be kept confidential. Any breach of such confidentiality shall terminate the right of the Union to examine such records upon the decision of an arbitrator that the union did indeed breach the confidentiality agreement.

F. Continuation of Contracting

Unless the Employer brings work that had been performed by its existing contractors. into its facilities covered by this agreement, it shall during any contract year in which it outsources production ^{to} continue to supply work to contractors at such levels as supplied in the previous year. Contractors shall include all contractors of shoulder pads, coats fronts, sponging and examining, to the extent now contracted. The measure of damages payable to the Union for failure to supply the amount of work required by the preceding sentence shall be that applied to other violation^s of this article.

A handwritten signature, possibly reading "JSA", is written in dark ink at the bottom right of the page.

G. Damages

Claims that any Employer is in violation of this Article shall be resolved through the grievance and arbitration provisions of this Agreement. If the Arbitrator finds that the Employer has violated this Article by outsourcing in excess of the limits set forth herein, the Arbitrator shall impose damages equal to one and one half times the unit labor cost of these outsourced units in excess of the limit. Said damages shall be paid to the Joint Board that is party to an Agreement with the Employer for distribution to the affected employees.

STANDARDS

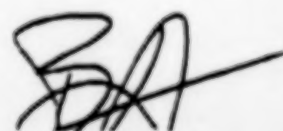
It is agreed that all Employers will comply with the following work standards in any outsourcing:

Wages:

Companies will only do business with partners, contractors or other sources who provide wages and benefits that comply with any applicable law and provide a living wage defined as a specified market-basket of consumers' goods priced in local currency and adjusted for inflation in the country from which the product is being sourced.

Working Hours:

Companies will only do business with partners, contractors or other sources outside the United States that comply with all applicable laws and will not utilize a source who requires more than a 48 hour work week and does not provide at least one day off in each seven days.



Forced or Compulsory Labor:

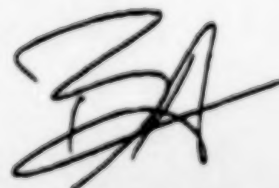
In the manufacture of its products. Companies will not work with business partners that use forced or other compulsory labor, including labor that is required as a means of political coercion or as punishment for holding or for peacefully expressing political views. Companies will not purchase materials that were produced by forced prison of other compulsory labor and will terminate business relationships with any sources found to utilize such labor.

Child Labor:

Companies will not work with business partners that use child labor. The term "child" generally refers to a person who is less than 14 years of age, or younger than the age for completing compulsory education if that age is higher than 14. In countries where the law defines "child" to include individuals who are older than 14, Companies will apply that definition.

Freedom of Association:

Companies will use business partners that share a commitment to the right of Employees to establish and join organizations of their own choosing, and abide by international standards as specified by the ILO regarding freedom of association. Companies will assure that no employee is penalized because of his or her exercise of this right. Companies recognize and respect the right of all employees to organize, bargain collectively, and to strike.



Discrimination:

Companies will not use business partners who discriminate on the basis of personal characteristics rather than people's ability to do the job. They will not utilize partners who use corporal punishment or other forms of mental or physical coercion.

Safe and Healthy Work Environment:

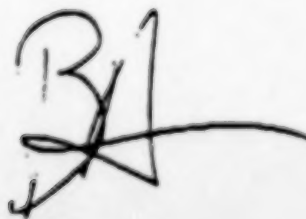
Companies will have business partners that provide employees a safe and healthy workplace and that do not expose workers to hazardous conditions.

Continued Violators:

If the Union determines that countries or companies have repeatedly violated the foregoing work standards or are pervasive violators of human rights, it shall notify the Employer and give it 60 days to remedy the violations. If the union chooses it may take the alleged violations to binding expedited arbitration. If the union proves its case, the company shall cease to contract with that country or company.

Monitoring:

Employers and the ACTWU shall periodically monitor the compliance of their contractors/suppliers with the above standards, and reports of this monitoring will be made available to the other party.



END

08/26/98